



UNAUDITED ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2016**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 2 to 82, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa Act No.108 of 1996, save for disclosure in said note read with the Remuneration of Public Officer Bearers Act No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.


N J MDAKANE
MUNICIPAL MANAGER

31/08/2016
Date

Annual Financial Statements

for

KWADUKUZA MUNICIPALITY

for the year ended

30 June 2016

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

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KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

General information

Members of the Council

N R Mthembu
G Govender
T Khuluse
C R Marsh
M S Sing
S P C Mdletshe
S Oudhram
J L T Sibiya
S S Gumede
J M Banda
M S Mhlongo
D W Ndimande
O L Nhaca
B B Sing
D Singh
C N Xulu
M E Zungu
N P Dube
N Sewraj
E B Majola
L R Makhathini
T E Msweli
A M Baardman
T V Ntuli
M S C M Motala
G N Mbonambi
N G Mthethwa
R N Pakkies
G J Van Whye
N M Hlatshwayo
V M W Mdluli
A L Sahadaw
J A Vallan
W M Lutuli
R Singh
S Anamalay
B Dlavana
A Gopaul
T K Gumede
T N Khumalo
E M Kolia
S P Luthuli
S L Magubane
S M R Mfeka
S D Mashiya
G Z Mngomezulu
C Ndlovu
D M Ngcobo
T Ntuli
S A Ngwane
I T Nxumalo
J S Phahla
M W Hubner
V Mathonsi
D Z Gumede
A M Zulu
B M Cele
H K Dube

Mayor
Deputy Mayor
Speaker
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Chief Whip
Chair: MPAC
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Traditional Leader
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Traditional Leader
Traditional Leader
Traditional Leader

KWADUKUZA MUNICIPALITY
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General information (continued)

Municipal Manager

Mr N J Mdakane

Chief Financial Officer

Mr S M Rajcoomar

Grading of Local Authority

Category 4

Auditors

Auditor General South Africa (AGSA)

Bankers

First National Bank

Registered Office:

KwaDukuza Municipality

Physical address:

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KwaDukuza
4450

Postal address:

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4450

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**KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	2016 R	Restated 2015 R
ASSETS			
Non-current assets		1 841 927 784	1 600 878 389
Property, plant and equipment	10	1 741 761 801	1 501 751 701
Intangible assets	11	9 507 701	10 789 991
Investment properties	12	89 470 000	87 175 000
Heritage Assets	13	105 386	105 386
Long-term receivables	14	1 082 896	1 056 311
Current assets		616 706 311	668 831 065
Inventories	15	6 849 078	6 208 730
Receivables from exchange transactions	16	60 488 594	62 072 592
Receivables from non-exchange transactions	17	82 809 582	55 347 335
Value added taxation receivable	9	14 380 887	4 798 580
Current portion of long-term receivables	14	5 076	12 854
Cash and cash equivalents	18	452 173 094	540 390 976
Total Assets		2 458 634 095	2 269 709 454
LIABILITIES			
Non-current liabilities		345 494 338	298 896 971
Long-term liabilities	2	240 233 811	212 368 130
Non-current provisions	3	8 134 130	7 139 841
Employee benefits	4.2	84 223 031	66 818 000
Long service awards and retirement gifts	4.3	12 899 267	12 571 000
Non-current lease liability	40	4 098	
Current liabilities		282 473 029	259 014 953
Deposits	5	30 167 576	26 160 144
Current Portion of Provisions	6	17 598 999	1 319 908
Trade and other payables	7	201 344 615	179 667 353
Unspent conditional grants and receipts	8	19 918 799	39 225 938
Current portion of long-term liabilities	2	13 396 358	12 628 140
Current portion of lease liability	40	46 683	13 470
Total Liabilities		627 967 367	557 911 924
Net Assets		1 830 666 741	1 711 797 530
NET ASSETS			
Housing operating account	1	8 728 156	8 728 156
Revaluation Reserve		9 813 137	9 813 137
Accumulated surplus		1 812 125 447	1 693 252 311
Total Net Assets		1 830 666 741	1 711 797 530

**KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 R	Restated 2015 R
REVENUE			
Revenue from non-exchange transactions			
Property rates	19	314 623 456	275 604 771
Property rates - penalties imposed and collection charges		7 391 326	8 829 843
Fines	28.2	16 076 516	20 476 864
Government grants and subsidies	21	208 855 308	193 738 328
Licences and permits		8 598 205	8 622 880
Public donations - Property, plant and equipment	10	3 663 174	15 195 302
Revenue from exchange transactions			
Service charges	20	704 094 575	621 653 078
Rental of facilities and equipment		1 016 506	1 065 346
Interest earned investments	18	30 409 852	30 490 667
Interest earned outstanding debtors		5 564 056	5 673 326
Other income	28.1	52 743 759	57 423 828
Gain on disposal of property, plant and equipment		50 000	53 500
Fair Value Adjustment of investment properties	12	2 295 000	5 145 000
Total Revenue		1 355 381 733	1 243 972 732
EXPENDITURE			
Employee related costs	22	282 807 345	251 403 648
Remuneration of councillors	23	18 544 424	17 612 038
Collection costs		4 453 262	4 165 459
Ammortisation	11	2 416 761	2 753 355
Depreciation	10	50 093 250	44 057 501
Repairs and maintenance	35	88 125 895	79 166 576
Finance costs	24	24 880 004	19 848 255
Bulk purchases	25	488 650 902	427 861 024
Employee and long services benefits	4.3	17 733 298	2 043 000
General expenses	26	192 200 755	205 835 379
Contracted services	27.1	30 462 775	25 744 920
Transfer made: MIG funding paid to Ilembe District Municipality	27.2	6 100 223	20 751 542
Adjustments to allowance for impairment	16	16 006 685	17 078 712
Adjustments to non-current provisions	3	1 030 037	197 354
Adjustments to current provision	6	16 243 342	
Bad debts written off	16	4 372 271	6 696 576
Loss on disposal of assets		10 137 334	1 759 166
Impairment loss on assets	10	16 690 665	12 966 736
Less: Recharges		(34 440 630)	(35 073 518)
Total Expenditure		1 236 508 597	1 104 867 723
SURPLUS FOR THE YEAR		118 873 135	139 105 009

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2016

	<u>Housing Operating Account</u> R	<u>Revaluation Reserve</u>	<u>Accumulated Surplus</u> R	<u>Total</u> R
Restated Opening Balance at 30 June 2013	8 728 156	9 813 137	1 442 688 572	1 461 229 865
2014				
Surplus for the year	-	-	131 568 574	131 568 574
Adjustment to assets prior 2014/2015			(20 779 004)	(20 779 004)
Adjustment to rates revenue prior 2014/2015	-		2 278 312	2 278 312
Adjustment to traffic fine debtor prior 2014/2015			(1 609 151)	(1 609 151)
Restated Balance at 30 June 2014	8 728 156	9 813 137	1 554 147 302	1 572 688 595
2015				
Surplus for the year	-	-	139 105 009	139 105 009
	-	-	-	-
Restated Balance at 30 June 2015	8 728 156	9 813 137	1 693 252 311	1 711 797 530
2016				
Surplus for the year			118 873 135	118 873 135
Balance at 30 June 2016	8 728 156	9 813 137	1 812 125 447	1 830 666 741
Note 36 provides further details of adjustments pertaining to the 2014/2015 financial year.				

KWADUKUZA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	Restated 2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	187 965 082	114 585 619
Interest received		30 409 852	30 490 667
Finance costs	24	(24 880 004)	(19 848 255)
NET CASH FLOWS FROM OPERATING ACTIVITIES		193 494 930	125 228 031
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment		(313 318 175)	(191 502 263)
Purchase of intangible assets		(1 134 470)	(1 479 348)
Decrease/(Increase) in non-current receivables		(18 808)	(75 718)
Proceeds on Sale of Property, Plant & Equipment		80 000	53 500
NET CASH FLOWS FROM INVESTING ACTIVITIES		(314 391 454)	(193 003 828)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		44 599 318	80 876 185
Loans repaid		(15 965 419)	(16 796 732)
Lease repayments		37 311	(205 728)
Increase in consumer deposits		4 007 432	1 922 361
NET CASH FLOWS FROM FINANCING ACTIVITIES		32 678 642	65 796 080
NET INCREASE IN CASH AND CASH EQUIVALENTS		(88 217 882)	(1 979 717)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		540 390 976	542 370 693
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	452 173 094	540 390 976

KWADUKUZA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2016

2015/16										
Description	Original Budget	Budget Adjustments	Final Budget	Actual outcome	Variance (1) between Original and Final Budget	Percentage Variance (1) between Original and Final Budget	Note on variances (1)	Variance (2) between Final Budget and Actual outcome	Percentage Variance (2) between Final Budget and Actual outcome	Note on variances (2)
R (000) thousands										
Financial Performance										
Property rates (Including Penalties and Collection Charges)	317 978 590	(7 055 636)	310 920 954	322 014 783	(7 055 636)	-2%		(11 093 828)	-4%	
Services charges	708 412 187	(1 258 501)	707 153 686	704 084 575	(1 258 501)	0%		3 059 111	0%	
Investment revenue	24 384 903	20 000	24 404 903	30 409 852	20 000	0%		(6 004 949)	-25%	38.4
Transfers recognised - operational	119 022 200	4 261 223	123 283 423	122 592 534	4 261 223	4%		690 889	1%	
Other own revenue	93 410 514	13 917 511	107 328 025	90 007 215	13 917 511	15%	38.1	17 320 810	16%	38.5
Total Revenue (excluding capital transfers and contributions)	1 263 206 394	9 864 568	1 273 090 991	1 269 118 958	9 864 568			3 972 033		
Employee Related Costs										
Remuneration of Councillors	306 084 429	(11 590 000)	294 494 429	282 807 345	(11 590 000)	-4%		11 687 083	4%	
Allowance for impairment	20 188 837	(60 000)	20 128 837	18 544 424	(80 000)	0%		1 584 414	8%	
Depreciation and asset impairment	11 371 788	24 000 000	35 371 788	16 006 685	24 000 000	211%	38.2	19 365 104	55%	38.6
Finance charges	71 081 515	2 830 684	73 912 199	69 200 675	2 830 684	4%		4 711 523	6%	
Bulk Purchases	26 032 510	-	26 032 510	24 860 004	-	0%		1 152 507	4%	
Other Expenditure	486 944 000	(6 944 000)	480 000 000	488 650 902	(6 944 000)	-1%		1 349 098	0%	
	331 473 829	1 645 548	333 119 377	336 418 563	1 645 548	0%		(3 299 185)	-1%	
Total Expenditure	1 263 176 909	9 862 232	1 273 059 140	1 236 500 597	9 862 232			36 560 544		
Surplus	29 485	2 366	31 851	32 610 362	2 366			32 578 511		
Transfers recognised - capital	83 316 800	-7 562 000	75 754 800	86 262 774	-7 562 000	-9%	38.3	(10 507 974)	-14%	38.7
Contributions recognised - capital and contributed assets	14 500 000	-12 000 000	2 500 000	-	-12 000 000			2 500 000		
Surplus after capital transfers & contributions	97 843 285	-19 559 634	78 283 651	118 873 135	-19 559 634			(40 589 485)		
Capital Expenditure & funds sources										
Capital Expenditure										
Transfers recognised - capital	83 316 800	(7 562 223)	75 754 577	86 262 774	(7 562 223)			(10 508 197)		
Public Contributions and Donations	14 500 000	(12 000 000)	2 500 000	-	(12 000 000)			2 500 000		
Borrowing	17 284 645	1 073 677	18 358 322	44 599 318	1 073 677			(26 230 996)		
Internally generated funds	260 232 494	2 514 981	262 747 475	182 989 874	2 514 981			79 757 800		
Total Sources of capital funds	375 343 939	(15 973 566)	359 370 373	313 851 966	(15 973 566)			45 518 407		
Cash Flows										
Net cash from (used) operating	222 622 925	(65 049 591)	157 573 335	193 484 930	(65 049 591)			(35 921 595)		
Net cash from (used) investing	(364 843 940)	2 174 469	(362 669 471)	(314 391 454)	2 174 469			(48 278 017)		
Net cash from (used) financing	2 947 115	25 043 629	27 990 743	32 678 642	25 043 629			(4 687 898)		
Cash/cash equivalents at the year end	280 890 261	82 395 321	363 285 582	482 173 094	82 395 321			(88 887 512)		

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") respectively, as amended.

The Minister has determined the following Standards of GRAP for Municipalities.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash –generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Function Between Entities under Common Control
GRAP 106	Transfers of Function Between Entities Not under Common Control
GRAP 107	Mergers

In addition the municipality has applied all the other Interpretation Standards and directives determined by the Minister in the updated Directive 5.

1.1 Changes in accounting policy and comparability

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 COMPARATIVE INFORMATION

1.2.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.3 Presentation of Budget Information in the Financial Statements

The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate statement called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget. The comparison of budget and actual amounts presents separately for each level of legislative oversight the following:

- ✓ the approved and final budget amounts;
- ✓ the actual amounts on a comparable basis; and
- ✓ by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.4 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.4.1 Revenue Recognition

Accounting Policy 9.2 on Revenue from Exchange Transactions and Accounting Policy 9.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.4.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

1.4.3 Impairment of Financial Assets

Accounting Policy 7.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment,

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.4.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3 and, 4.2 the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.4.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.4.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.4, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 4.

1.5 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.6 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.7 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.8 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations as listed below.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for service concession arrangements.

Arrangements within the scope of this Standard involve the operator providing a mandated function related to the service concession asset on behalf of the grantor. The operator providing the mandated function can either be a private party or another public sector entity.

Arrangements outside the scope of this Standard are those that do not involve the delivery of a mandated function and arrangements that involve the provision or management of services where the asset is not controlled by the grantor (e.g., outsourcing, service contracts, or privatisation).

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for statutory receivables.

This Standard does not apply to the following receivables, except if indicated otherwise:

- Receivables and any other financial assets that arise from contractual arrangements to which the Standard of GRAP on Financial Instruments applies.
- Receivables to which the Standard of GRAP on Leases applies.
- Insurance contracts as defined in the International Financial Reporting Standard on Insurance Contracts.

Statutory receivables can arise from both exchange and non-exchange transactions. Where these receivables arise from exchange and non-exchange revenue transactions, an entity shall apply the recognition and initial measurement requirements of the Standards of GRAP on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions (Taxes and Transfers), as well as the requirements of this Standard.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess:-

- Whether it is party to a principal-agent arrangement, and
- Whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

The principal-agent arrangement results from a binding agreement in which one entity (an agent) undertakes transactions with third parties on behalf, and for the benefit of, another entity (principal).

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in determining whether it is principal or an agent in a principal-agent arrangement.

This standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements but do however:-

- Provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal; as well as
- Prescribe what information should be disclosed when an entity is a principal or an agent (i.e. applying GRAP standards other than GRAP 109 to deal with the recognition and measurement of revenue, expenses, assets and/or liabilities).

IGRAP 17 Service Concession Arrangements where the Grantor controls a significant residual interest in an asset

The Standard of GRAP on Service Concession Arrangements: Grantor requires the grantor to recognise a service concession asset provided by the operator and an upgrade to an existing asset of the grantor if:

- The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

If one or both of these criteria are not met, the grantor needs to consider the principles in the Interpretation of the Standards of GRAP on Determining Whether an Arrangement Contains a Lease (IGRAP 3) to determine whether the arrangement constitutes a lease. The principles in the Standard of GRAP on Leases shall then be applied to determine whether the arrangement constitutes a finance lease or operating lease.

If the grantor concludes that the arrangement does not constitute a finance or an operating lease after considering the principles in the Interpretation of the Standards of GRAP on Determining Whether an Arrangement Contains a Lease and in the Standard of GRAP on Leases, the grantor shall consider the principles in the Framework for the Preparation and Presentation of Financial Statements in accounting for any revenue and expenses incurred in terms of the arrangement.

The Standard of GRAP on Service Concession Arrangements: Grantor applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity.

1.9 Standards not yet effective but used for disclosure purposes

Council has adopted the following GRAP standard on related parties to determine its disclosure on related party relationships, transaction and balances.

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- ✓ control;
- ✓ related party transactions; and
- ✓ remuneration of management

No effective date has yet been determined by the Minister of Finance.

2. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Where the municipality experiences a nett loss on proceeds realised these are funded by the accumulated surplus. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

<i>Details</i>	<i>Years</i>
<i>Infrastructure</i>	
Roads	10 – 45
Electricity	5 – 80
Storm Water	10 – 80
Solid Waste Disposal	10 – 50
<i>Community</i>	
Community and Recreation Facilities	5 – 50
Other Assets	2 – 50
Vehicles	3 – 10
Furniture and Fittings	3 – 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Work in Progress

Work in progress is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease.

3.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

3.7 De-recognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

3.8 Impairment of Assets

3.8.1 Cash - generating Assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

3.8.2 Impairment of Non-cash Generating Assets

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

4.2 Subsequent Measurement, Amortisation and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 2 to 7 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

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The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

4.3 De-recognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at fair value including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

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The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

Directive 3 allows for transitional provisions in respect of heritage assets, with specific mention of the following:

If the initial accounting for heritage assets is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those heritage assets for which the accounting is incomplete.

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During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .121 or the transfer date in accordance with paragraph .122, and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the entity shall also recognise additional heritage assets if information is obtained about the existence of those heritage assets at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been known, would have resulted in the recognition of those heritage assets at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

This measurement period expires at 30 June 2015 on which date the Standard needs to be fully complied with.

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage Assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in the accordance with the requirements of the Standard of GRAP on Heritage Assets

7. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

7.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

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In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

7.2 Financial Liabilities – Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

In accordance with GRAP 104, the Financial Liabilities of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

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Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

7.3.2 Financial Liabilities:

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis..

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

7.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent

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recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

7.5 De-recognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 De-recognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

8. INVENTORIES

Inventories comprising consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value, determined on the weighted average cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the

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value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. REVENUE RECOGNITION

9.1 General

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.2 Revenue from Exchange Transactions

9.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

9.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

9.2.3 Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

9.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

9.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

9.3 Revenue from Non-exchange Transactions

9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

9.3.2 Fines

Fines constitute both spot fines and summonses.

Revenue from traffic fines is initially measured on the value stipulated on the notice, summons or equivalent document.

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The revenue from traffic fines is subject to further judicial process which is outside the municipality's control. These reductions are not considered in measuring the revenue and receivable on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process. Once this separated process has been concluded, any reductions are accounted for as a change in estimated revenue and are accounted for as a change in accounting estimate.

9.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Revenue is recognised at the fair value of the consideration received. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

9.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9.3.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12. EMPLOYEE BENEFITS

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- ✓ a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- ✓ an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short term employee benefits;
- all short term employee benefits;
- short term compensated absences;
- bonus, incentive and performance related payments;
- post employment benefits;
- other long term employee benefits; and
- termination benefits.

The municipality has adopted GRAP 25 Employee Benefits in the current year.

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The municipality has recognised:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

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This municipality recognises all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Past service costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12.3 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

12.4 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

12.4.1 Pension obligations

The municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation, Retirement and Provident fund). The contributions to fund obligations for the

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ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

12.4.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

12.4.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

13. LEASES

13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. BORROWING COSTS

In accordance with the standard, the municipality has opted to expense all borrowing costs.

15. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

16. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

21. RELATED PARTIES

Individuals, including councillors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

24. CAPITAL COMMITMENTS

In terms of GRAP 17 and GRAP 102, contractual commitments are disclosed for all assets and intangible assets. The commitment is measured at the value of the contract less amounts paid until year end. Where contracts or letters of awards have been issued, this is classified as an approved and contracted commitment.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
1. HOUSING OPERATING ACCOUNT		
Housing Operating Account	8 728 156	8 728 156
The Housing Operating Account is represented by the following assets and liabilities:		
Fixed Assets	2 812 295	2 833 348
Housing Inventory	266 453	323 637
Debtors	155 359	166 102
Debtors: Department of Housing	251 934	251 934
Accumulations	5 327 471	5 262 117
Prepaid debtors	(85 355)	(108 982)
Total Housing Operating Account Assets and Liabilities	8 728 156	8 728 156
2. LONG-TERM LIABILITIES		
Non Annuity Loans	253 630 169	222 167 128
Annuity Loans	-	2 829 142
Sub-total	253 630 169	224 996 271
Less: Current portion transferred to current liabilities	13 396 358	12 628 140
Non Annuity Loans	13 396 358	11 552 026
Annuity Loans	-	1 076 115
Total Long term liabilities	240 233 811	212 368 130

Refer to Appendix A for more detail on long-term liabilities.

Non Annuity Loans - Bank Loans

Bear interest at 8.23% to 9,73% and is redeemed in bi-annual instalments, including interest, over varying periods until 2032.

Annuity loans

Bear interest at rates between 12% and 16.5% per annum, are being redeemed in quarterly instalments, including interest, over varying periods until 2017. The municipality adopted to early settle these loans in the current financial year.

All loans are unsecured

Utilisation of Long Term Liabilities

Long term liabilities have been used to finance Property, Plant & Equipment. The facility not yet utilized as at 30 June 2016 is R2 186 333.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
3. NON-CURRENT PROVISIONS		
3.1 Provision for the rehabilitation of the landfill site	9 489 786	8 459 749
Sub-total	9 489 786	8 459 749
Less: Current portion transferred to current liabilities (refer to Note 6)	1 355 656	1 319 908
Provision for the rehabilitation of the landfill site	1 355 656	1 319 908
Total Non-Current Provisions	8 134 130	7 139 841
<u>Landfill site rehabilitation</u>		
Balance at beginning of year	8 459 749	8 262 395
Contributions / (Reduction) to provision	1 030 037	197 354
Balance at end of year	9 489 786	8 459 749

The provision created for the rehabilitation of the landfill site is based on a professional study conducted by Ecological and Environmental Services of the rehabilitation costs of the Shakaville dumpsite.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2016/2017 operating budget over a period of two (2) years.

The provision reflects a current value of R9 489 786 expenditure discounted net of a rate of 10.50% pa (Prime interest rate) (2015:- 9.25%).

4. EMPLOYEE BENEFITS

4.1 Pension benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

Superannuation

The interim valuation carried out on the Superannuation Fund as at 31 March 2015 reflected:

The valuation reveals that the total fund is 100% funded on the "best estimate" basis as at the valuation date, but that it is not fully funded on the "financial soundness" basis incorporating a Solvency Reserve. In terms of the scheme, the surcharge of 9.5% of pensionable salaries continue to be paid to build up the Solvency Reserve to the full theoretical level. This Reserve is to protect the fund against adverse experience on the active member liabilities and assets. The valuator is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the Fund is suitable for the fund. In his view the Fund is in a sound financial position as at the valuation date.

**2016
R**

**2015
R**

4. EMPLOYEE BENEFITS (Continued)

Provident Fund

The interim valuation carried out on the Provident Fund as at 31 March 2015 reflected:

The actuarial valuation of the fund was taken as R2 636b at the valuation date.

Total liabilities, Reserves and Accounts of the fund as at valuation date was R2 453b.

The assets exceeded the liabilities and reserves. The fund is in a sound position as at the valuation date.

Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2015 reflected:

The fund is 96.1% funded on the "best estimate" basis as at the valuation date. The pensioner liabilities are fully funded and the liabilities in respect of active members are 91.1 % funded. The fund self insures its risk benefits. The view of the consultant is that the Fund is not in a sound position as at the valuation date but the deficit is being funded by the surcharge that is being paid. The deficit is expected to be eliminated within the period allowed in the "Scheme to Eliminate Deficiency".

4.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Key Health, LA Health, Samwumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for post-employment medical aid benefits a number of assumptions are required as per GRAP 25. APN 30 states that the assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	9.54%	Yield Curve
Health care cost inflation rate	8.58%	Yield Curve
Net effective discount rate	0.88%	Yield Curve
Average retirement age	63	63
Proportion continuing membership at retirement	100%	90%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA (90)	PA90 ultimate
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		

Percentage of in-service members withdrawing before retirement:	Males	Females	Males	Females
Age 20 - 24	16%	24%	16%	24%
Age 25 - 29	16%	24%	12%	18%
Age 30 - 34	12%	18%	10%	15%
Age 35 - 39	10%	15%	8%	10%
Age 40 - 44	8%	10%	6%	6%
Age 45 - 49	6%	6%	4%	4%
Age 50 - 54	4%	4%	2%	2%
Age 55 - 59	2%	%	1%	1%
Age 60+	0%	0%	0%	0%

2016
R

2015
R

4. EMPLOYEE BENEFITS (Continued)

Discount Rate:

Grap 25 stipulates that the choice of the economic assumptions should reflect government bond yields consistent with the estimated term of the employee benefit liabilities. Therefore these assumed future rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016 and calculated using a liability-weighted average of the duration-dependent yields for each of the three components of the liability.

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

84 223 031

66 818 000

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	66 818 000	65 031 000
Current service cost	2 513 000	2 988 000
Interest cost	6 137 000	5 862 000
Benefit payments	(2 138 000)	(2 077 000)
Actuarial (gains)/losses	10 893 031	(4 986 000)

Balance at end of year

84 223 031

66 818 000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	2 513 000	2 988 000
Interest cost	6 137 000	5 862 000
Benefit payments	(2 138 000)	(2 077 000)
Actuarial (gains)/losses	10 893 031	(4 986 000)

TOTAL

17 405 031

1 787 000

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

SENSITIVITY RESULTS

The liability at the Valuation Date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (2) A 1% increase and decrease in the discount rate;
- (3) A one-year age reduction in the assumed rates of post-retirement mortality;
- (4) A one-year decrease in the assumed average retirement age
- (5) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

4. EMPLOYEE BENEFITS (Continued)

Table 1 summarises the results of the sensitivity analysis

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		48.933	35.290	84.223	
Health care inflation	+1%	53.516	37.340	90.856	8%
	-1%	42.698	32.904	75.602	-10%
Discount Rate	+1%	39.730	31.995	71.725	-15%
	-1%	61.029	39.228	100.257	19%
Post-retirement mortality	-1 yr	50.473	36.498	86.972	3%
Average retirement age	-1 yr	51.756	35.290	87.046	3%
Continuation of membership at retirement	-10%	44.287	35.290	79.577	-6%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 8% higher than that shown.

Table 2 summarises the results of this analysis on the Current - service and Interest Costs

Sensitivity Analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		2,513,000	6,137,000	8,650,000	
Health care inflation	+1%	2,588,000	6,354,000	8,942,000	3%
	-1%	2,397,000	5,849,000	8,246,000	-5%
Post-retirement mortality	-20%	2,704,000	6,563,000	9,267,000	7%
	+20%	2,345,000	5,772,000	8,117,000	-6%

HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

The following table summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

History of liabilities and assets (R millions)

Liability History	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016
Accrued liability	55.990	59.973	65.031	66.818	84.223
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (Deficit)	(55.990)	(59.973)	(65.031)	(66.818)	(84.223)

2016
R

2015
R

4. EMPLOYEE BENEFITS (Continued)

4.3 Long service awards and retirement gifts

The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for long service leave benefits, a number of assumptions are required as per GRAP 25. These assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	8.54%	Yield Curve
General Salary Inflation (long term)	7.20%	Equal to CPI + 1%
Net effective discount rate	1.25%	Yield Curve based

Examples of mortality rates used were as follows:

Average retirement age	63 years	63 years
Mortality during employment	SA85-90	SA85-90

Members withdrawn from service:

	Males	Females	Males	Females
Age 20 - 24	16%	24%	16%	24%
Age 25 - 29	16%	24%	12%	18%
Age 30 - 34	12%	18%	10%	15%
Age 35 - 39	10%	15%	8%	10%
Age 40 - 44	8%	10%	6%	6%
Age 45 - 49	6%	6%	4%	4%
Age 50 - 54	4%	4%	2%	2%
Age 55 - 59	2%	2%	1%	1%
Age 60+	0%	0%	0%	0%

Discount Rate:

Grap 25 stipulates that the choice of the economic assumptions should reflect government bond yields consistent with the estimated term of the employee benefit liabilities. Therefore these assumed future rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016 and calculated using a liability-weighted average of the duration-dependent yields for each of the three components of the liability.

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations
Fair value of plan assets

Liability in the Statement of Financial Position

12 899 267

12 571 000

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	12 571 000	12 315 000
Current service cost	1 285 000	1 241 000
Interest cost	1 180 000	993 000
Actuarial (Gain)/losses	(1 127 000)	(657 000)
Benefit payments	(1 009 733)	(1 321 000)
Balance at end of year	12 899 267	12 571 000

2016
R

2015
R

4. EMPLOYEE BENEFITS (Continued)

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	1 285 000	1 241 000
Interest cost	1 180 000	993 000
Actuarial (Gain)/losses	(1 127 000)	(657 000)
Benefit payments	(1 009 733)	(1 321 000)
TOTAL	328 267	256 000

In conclusion:

Statement of Financial Position obligation for:		
Post-employment medical benefits	84 223 031	68 605 000
Long Service Award	12 899 267	12 571 000
	97 122 298	81 176 000
Statement of Financial Performance obligation for:		
Post-employment medical benefits	17 405 031	1 787 000
Long Service Award loss	328 267	256 000
	17 733 298	2 043 000

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results are:

- (1) The general salary inflation rate assumption
- (2) The discount rate assumption
- (3) The average retirement age of employees
- (4) Assumed rates of withdrawal of employees from service

SENSITIVITY RESULTS

The liability at the Valuation date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed general salary inflation rate
- (2) A 1% increase and decrease in the discount rate
- (3) A two-year decrease and increase in the assumed average retirement age of employees
- (4) A 50% decrease in the assumed withdrawal rates from service

4. EMPLOYEE BENEFITS (Continued)

Tables 1 summarises the results of the sensitivity analysis.

Sensitivity Analysis of the Unfunded Accrued Liability (In R Millions)

Assumption	Change	Liability	% change
Central assumptions		12.899	
General salary inflation	+1%	13.798	7%
	-1%	12.089	-6%
Discount Rate	+1%	12.053	-7%
	-1%	13.856	7%
Average retirement age	-2 yrs	11.817	-8%
	+2 yrs	14.084	9%
Withdrawal rates	-50%	15.186	18%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher

Table 2 summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2016

Sensitivity Analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		1,285,000	1,180,000	2,465,000	
General salary inflation	+1%	1,418,000	1,275,000	2,693,000	9%
	-1%	1,169,000	1,094,000	2,263,000	-8%
Withdrawal rates	-20%	1,435,000	1,263,000	2,698,000	9%
	+20%	1,160,000	1,107,000	2,267,000	-8%

HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

History of liabilities and assets (R millions)

Liability History	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016
Accrued Liability	9,623,976	11,350,971	12,315,000	12,571,000	12,899,267
Plan asset	0	0	0	0	0
Surplus / (Deficit)	(9,623,976)	(11,350,971)	(12,315,000)	(12,571,000)	(12,899,267)

**KWADUKUZA MUNICIPALITY
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	2016 R	2015 R
5 DEPOSITS		
Electricity	30 167 576	26 160 144
6 CURRENT PROVISIONS		
CURRENT PORTION OF PROVISIONS:		
Rehabilitation of the landfill site - current portion	1 355 656	1 319 908
	1 355 656	1 319 908
ADJUSTMENT TO CURRENT PROVISION:		
Reimbursement of Developers Contribution - current provision	16 243 342	-
	16 243 342	-
	17 598 999	1 319 908
7 TRADE & OTHER PAYABLES		
Trade creditors	110 201 368	88 665 949
Payments received in advance	18 532 965	22 185 269
Deposits - other	4 296 544	3 774 929
Staff leave	11 865 870	11 429 933
Staff bonus	6 359 453	6 055 309
Cheques payments not yet presented to bank	6 449 364	10 728 190
Retentions	22 395 349	17 686 132
Housing Agency Creditor - Department of Human Settlements	13 255 097	13 088 073
Other creditors	7 988 604	6 053 568
Total Creditors	201 344 615	179 667 353
Payments in advance includes prepaid electricity accruals.		
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Municipal Infrastructure Grant	-	4 027 780
New Library	341 643	101 782
Department of Sports and Recreation	182 596	182 596
Municipal Assistance Programme	284 401	822 903
iLembe: Shared Services	-	333 856
Neighbourhood Development Partnership	-	10 711 391
Ethembeni / Charlotdale Precent	117 614	117 614
Corridor Development	-	3 626 351
Department of Minerals and Energy (DME) (INEP)	-	-
Museum	186 027	378 973
Housing Accreditation	17 970 199	15 922 692
Disaster Rough Seas	836 320	-
Small Town Rehabilitation	-	3 000 000
Total Conditional Grants and Receipts	19 918 799	39 225 938
See note 21 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.		
9 VALUE ADDED TAXATION RECEIVABLE	14 380 887	4 798 580
VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to SARS.		

KWADUKUZA MUNICIPALITY
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NOTE 10 PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value	Buildings R	Solid Waste R	Vehicles R	Infrastructure Roads R	Infrastructure Stormwater R	Infrastructure Electrical R	Furniture and Fittings R	Cemeteries	Developed Land	Undeveloped Land	Housing R	Leased assets R	Under Construction R	Total R
Carrying Values at 30 June 2015	92 001 499	3 700 967	21 044 842	283 400 331	114 048 098	385 908 300	17 942 934	3 983 112	160 208 174	274 874 750	2 833 348	170 913	141 526 434	1 501 751 701
Cost	128 476 947	4 636 707	50 773 627	436 067 627	154 024 868	574 071 738	43 972 290	5 542 695	160 206 174	274 874 750	8 247 118	1 685 739	141 526 434	1 984 206 616
Accumulated depreciation and Impairment	(36 475 449)	(935 740)	(29 728 785)	(152 667 296)	(39 976 869)	(188 163 440)	(26 029 356)	(1 549 583)	-	-	(5 413 770)	(1 514 826)	-	(482 455 114)
Additions														
Acquisitions	3 464 407	16 850	14 460 832	1 123 187	525 715	1 689 032	5 995 102	374 250	-	2 475 000	369 896	89 776	280 447 785	311 031 832
Recognition of expensed items	464 612	-	-	-	-	2 322 689	32 834	-	-	-	-	-	-	2 820 134
Donations	-	-	-	235 008	-	3 428 166	-	-	-	-	-	-	-	3 663 174
Capital under construction brought into use	14 647 432	-	-	93 534 479	-	66 909 868	96 313	7 083 340	-	-	-	-	(182 281 432)	-
Assets written off	(460 101)	-	(140 759)	-	(3 421 659)	(469 369)	(137 815)	-	(5 303 000)	(20 000)	-	-	(768 350)	(10 721 059)
Cost	(580 076)	-	(601 034)	-	(5 252 234)	(719 982)	(533 852)	-	(5 303 000)	(20 000)	-	-	(768 350)	(13 678 827)
Accumulated Depreciation	119 975	-	360 238	-	1 830 575	250 613	396 037	-	-	-	-	-	-	2 957 438
Impairment	(746 884)	-	(36 194)	1 202 088	(17 159 299)	79 162	(29 537)	-	-	-	-	-	-	(16 690 665)
Depreciation	(6 990 265)	(285 520)	(3 154 180)	(12 635 694)	(5 412 465)	(15 513 212)	(5 206 872)	(419 618)	-	-	(390 949)	(84 474)	-	(50 093 250)
Carrying Values at 30 June 2016	102 380 662	3 432 296	32 174 504	366 859 428	88 580 390	444 354 635	18 632 862	11 041 084	154 903 174	277 429 750	2 812 295	176 215	238 924 409	1 741 781 801
Cost	146 473 319	4 653 557	64 733 427	530 960 331	149 298 449	647 701 514	49 562 690	13 010 285	154 903 174	277 429 750	8 617 014	1 775 515	238 924 409	2 288 043 432
Accumulated depreciation and Impairment	(44 092 656)	(1 221 260)	(32 558 922)	(164 100 903)	(60 718 059)	(203 346 877)	(30 869 728)	(1 969 201)	-	-	(5 804 719)	(1 599 300)	-	(546 281 626)

Included in the above are assets with a net book value of R 941 844 which were not verified as part of the Annual Physical Verification Exercise. These assets are currently being investigated by management and the outcome of such shall be reported to management and Council.

Restated 30 June 2015

Reconciliation of Carrying Value	Buildings	Solid Waste	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Cemeteries	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R				R	R	R	R
Carrying Values at 30 June 2014	81 041 775	2 594 062	22 034 970	214 206 557	98 855 822	313 953 501	18 468 724	4 419 020	161 301 174	274 974 750	3 335 927	256 221	159 767 834	1 374 603 441
Cost	109 535 454	3 294 497	49 719 702	345 058 614	133 376 416	486 433 285	39 640 312	5 710 047	161 301 174	274 974 750	8 247 118	1 685 739	159 767 834	1 803 003 399
Accumulated depreciation and impairment	(28 793 680)	(700 434)	(27 084 732)	(130 852 057)	(36 522 597)	(174 463 664)	(21 173 588)	(1 291 027)	-	-	(4 911 191)	(1 429 519)	-	(428 399 959)
Additions														
Acquisitions	3 018 277	1 342 210	1 623 720	1 112 479	1 845 950	3 711 809	4 228 701	-	-	-	-	-	211 716 186	228 799 332
Donations	-	-	-	957 113	-	13 097 721	1 140 468	-	-	-	-	-	-	15 195 302
Capital under construction brought into use	15 623 387	-	-	89 198 274	18 800 600	70 064 393	-	(167 352)	-	-	-	-	(193 686 654)	-
Reclassification of classes	-	-	-	-	-	-	-	-	-	-	-	-	167 352	-
Donation of assets	-	-	-	-	-	-	-	-	-	-	-	-	(36 433 284)	-
Assets written off	-	-	(421 252)	(298 888)	-	(665 269)	(20 022)	-	(635 000)	-	-	-	-	(1 940 431)
Cost	(172)	-	(769 796)	(298 888)	-	(1 235 468)	(56 510)	-	(535 000)	-	-	-	-	(2 895 634)
Accumulated Depreciation	172	-	348 544	-	-	570 199	36 488	-	-	-	-	-	-	955 403
Impairment	(1 357 944)	-	(44 092)	(10 364 625)	-	(877 097)	(172 292)	-	-	-	(150 685)	-	-	(12 966 736)
Depreciation	(6 323 997)	(235 305)	(2 948 506)	(11 411 413)	(3 453 539)	(13 382 858)	(5 596 124)	(258 556)	-	-	(351 894)	(85 309)	-	(44 057 501)
Disposal of land	-	-	-	-	-	-	-	-	(560 000)	-	-	-	-	-
Disposal of unverified assets	-	-	-	-	-	-	(104 520)	-	-	-	-	-	-	(104 520)
Cost	-	-	-	-	-	-	(980 681)	-	-	-	-	-	-	(980 681)
Accumulated depreciation	-	-	-	-	-	-	876 161	-	-	-	-	-	-	876 161
Carrying Values at 30 June 2015	92 001 499	3 700 967	21 044 842	283 400 331	114 048 092	385 908 299	17 942 934	3 983 112	160 206 174	274 974 750	2 833 348	170 913	141 526 434	1 501 751 701
Cost	128 476 947	4 636 707	50 773 627	436 057 627	154 024 968	574 071 739	43 972 290	5 542 695	160 206 174	274 974 750	8 247 118	1 685 739	141 526 434	1 964 206 616
Accumulated depreciation and impairment	(36 475 449)	(935 740)	(29 728 785)	(162 657 296)	(39 976 869)	(188 163 440)	(26 029 356)	(1 549 583)	-	-	(5 413 770)	(1 514 826)	-	(482 455 114)

11. INTANGIBLE ASSETS

30 June 2016

	Total
Carrying values as at 1 July 2015	10 789 991
Cost	18 994 608
Under Construction	1 281 300
Accumulated Amortisation	(9 485 916)
Write-off of intangible assets	-
Cost	-
Accumulated Amortisation	-
Additions	610 350
Under Construction	524 120
IA not previously recognised	-
Amortisation	(2 416 761)
Carrying value closing balance as at 30 June 2016	9 507 701
Cost	19 604 958
Under Construction	1 805 420
Accumulated Amortisation	(11 902 677)

Intangible Assets are made up as follows:

Intangible Assets / Software R1 016 179
 Right to use / Eskom (Driefontein) R6 686 102
 Assets Under Construction R1 805 420

30 June 2015

	Total
Carrying values as at 1 July 2014	11 549 526
Cost	19 444 654
Accumulated Amortisation	(7 895 128)
Write-off of intangible assets	(2 609)
Cost	(1 165 175)
Accumulated Amortisation	1 162 567
Additions	198 048
Under Construction	1 281 300
IA not previously recognised	517 081
Amortisation	(2 753 355)
Carrying value closing balance as at 30 June 2015	10 789 991
Cost	20 275 908
Accumulated Amortisation	(9 485 916)

Intangible Assets are made up as follows:

Intangible Assets / Software R707 208
 Right to use / Eskom (Driefontein) R8 801 483
 Asset Under Construction R1 281 300

**KWADUKUZA MUNICIPALITY
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	2016 R	2015 R
12. INVESTMENT PROPERTIES		
Carrying Value Opening Balance	87 175 000	82 030 000
Gain on valuation	2 295 000	5 145 000
Carrying Values Closing Balance	<u>89 470 000</u>	<u>87 175 000</u>
The fair value of these properties as valued by Council's valuer at 30 June 2016 amounts to	<u>89 470 000</u>	<u>87 175 000</u>
Rental income derived from these properties amount to	<u>673 144</u>	<u>615 746</u>
No amounts were expensed towards repairs and maintenance costs for investment properties.		
The above fair value was conducted by a valuer registered as a professional valuer in terms of the Property Valuers Profession Act 2000 and a member of the South African Institute of Valuers.		
Details of investment properties are included in a register which is available for inspection at the municipal offices.		
13. HERITAGE ASSETS		
Carrying value opening balance		
At Cost	105 386	18 346
Additions	-	87 040
Carrying value closing balance		
At Cost	<u>105 386</u>	<u>105 386</u>
14. LONG-TERM RECEIVABLES		
Housing selling scheme loans	7 426 504	9 388 446
	<u>7 426 504</u>	<u>9 388 446</u>
Less: Allowance for impairment and future housing discounts	(6 338 532)	(8 319 282)
Allowance for impairment and future housing discounts	<u>(6 338 532)</u>	<u>(8 319 282)</u>
	<u>1 087 972</u>	<u>1 069 164</u>
Less: Current portion transferred to current receivables	(5 076)	(12 854)
Current portion	<u>(5 076)</u>	<u>(12 854)</u>
Total Receivables	<u>1 082 896</u>	<u>1 056 311</u>
Written - off during the year	<u>2 243 233</u>	<u>1 532 527</u>

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

**KWADUKUZA MUNICIPALITY
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	2016 R	2015 R
15. INVENTORIES		
Consumable stores	405 892	845 874
Mechanical spares	32 902	32 792
Electrical maintenance spares	5 969 610	4 825 417
Fuel	174 221	181 009
Housing inventory	266 453	323 637
Total Inventories	6 849 078	6 208 730
Periodically, physical stock counts are carried out.		
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	82 299 405	56 893 553
Estate	68 661	68 318
Refuse	10 161 224	9 870 746
VAT on Consumer debtors	14 295 232	12 677 368
Legal Fees	3 269 501	2 478 602
Encroachment and plot clearing	8 595	11 321
Sundry Adjustments	500 001	878 919
Interest	6 715 102	5 580 748
Add back credits included above	856 072	809 768
Total service debtors	118 173 794	89 269 342
Less: Allowance for impairment	(57 685 200)	(27 196 751)
Total	60 488 594	62 072 592
<u>Electricity: Ageing</u>		
Current (0 – 30 days)	64 199 996	38 076 218
31 - 60 Days	2 852 067	3 148 988
61 - 90 Days	1 301 967	3 017 090
91 - 120 Days	1 070 507	1 062 807
Greater than 120 days	12 874 869	11 588 449
Total	82 299 405	56 893 553
<u>Estate: Ageing</u>		
Current (0 – 30 days)	1 927	2 115
31 - 60 Days	1 086	2 073
61 - 90 Days	1 086	1 880
91 - 120 Days	1 086	1 475
Greater than 120 days	63 476	60 775
Total	68 661	68 318
<u>Refuse: Ageing</u>		
Current (0 – 30 days)	3 274 011	3 206 118
31 - 60 Days	529 898	550 969
61 - 90 Days	417 232	409 727
91 - 120 Days	352 125	337 689
Greater than 120 days	5 587 959	5 366 244
Total	10 161 224	9 870 746

	2015 R	2015 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>VAT on Consumer Debtors: Ageing</u>		
Current (0 – 30 days)	10 580 513	9 011 760
31 - 60 Days	471 207	528 511
61 - 90 Days	246 941	474 179
91 - 120 Days	206 985	194 080
Greater than 120 days	2 789 586	2 470 838
Total	14 295 232	12 677 368
<u>Legal Fees: Ageing</u>		
Current (0 – 30 days)	497 019	266 179
31 - 60 Days	119 205	95 674
61 - 90 Days	184 478	133 752
91 - 120 Days	215 787	61 413
Greater than 120 days	2 253 015	1 921 584
Total	3 269 501	2 478 602
<u>Encroachment and plot clearing: Ageing</u>		
Current (0 – 30 days)	124	117
31 - 60 Days	124	117
61 - 90 Days	-	-
91 - 120 Days	-	-
Greater than 120 days	8 347	11 088
Total	8 595	11 321
<u>Sundry Adjustments: Ageing</u>		
Current (0 – 30 days)	326 043	1 285 717
31 - 60 Days	(551)	(3 926)
61 - 90 Days	(961)	(11 214)
91 - 120 Days	(962)	(5 196)
Greater than 120 days	176 432	(386 462)
Total	500 001	878 919
<u>Interest: Ageing</u>		
Current (0 – 30 days)	402 193	389 700
31 - 60 Days	358 366	315 877
61 - 90 Days	281 663	266 870
91 - 120 Days	266 380	243 223
Greater than 120 days	5 406 499	4 365 078
Total	6 715 102	5 580 748
<u>Add back credits included above: Ageing</u>		
Current (0 – 30 days)	6 571 947	6 773 302
31 - 60 Days	(788 428)	(1 153 675)
61 - 90 Days	(775 225)	(590 732)
91 - 120 Days	(465 690)	(643 165)
Greater than 120 days	(3 686 533)	(3 575 963)
Total	856 072	809 768

	2016 R	2015 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Reconciliation of the Allowance for Impairment</u>		
Balance at beginning of the year	135 103 603	119 557 419
Receivables from exchange transactions	27 196 751	27 196 751
Long term receivables	8 319 282	9 350 372
Receivables from non-exchange transactions	99 587 571	83 010 296
(Release from) / Contribution to provision	13 763 451	15 251 000
Receivables from exchange transactions	30 460 923	-
Long term receivables	(1 980 750)	(1 031 091)
Receivables from non-exchange transactions	(14 830 434)	16 181 353
	13 649 739	15 150 262
Vat on trade receivables from exchange transactions	27 526	-
Vat on trade receivables from non-exchange transactions	86 186	100 738
Receivables from exchange transactions	57 685 200	27 196 751
Long term receivables	6 338 532	8 319 282
Receivables from non-exchange transactions	84 843 323	99 587 571
Balance at end of year	148 867 055	135 103 603
Bad debts written off - Exchange Transactions	856 586	282 360
Bad debts written off - Non - Exchange Transactions	3 515 685	6 414 216
Bad debts written off - Long Term Receivables	-	-
Bad debts written off - Other Debtors	-	-
Total Bad debts written off	4 372 271	6 696 576
17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	85 990 666	79 153 423
Other debtors	79 289 944	73 375 848
Department of Housing - RDP projects	251 934	251 934
Operating leases	2 120 362	2 153 700
Membe debtors	-	-
	167 652 905	154 934 906
less: Allowance for impairment	(84 843 323)	(99 587 571)
Total Other Debtors	82 809 582	55 347 335
<u>Rates: Ageing</u>		
Current (0 – 30 days)	17 861 630	16 924 847
31 - 60 Days	8 244 582	3 712 341
61 - 90 Days	4 850 229	3 289 009
91 - 120 Days	4 282 123	2 761 874
Greater than 120 days	52 752 101	52 485 353
Total	85 990 666	79 153 423
Included in the above are debtors of R1 315 150 relating to a special rating area established in the current financial year.		
Other Debtors:		
Included in Other Debtors are:		
Debtors in respect of Legal Fees outstanding	327 313	-
Debtors: Demand Based Component	-	589 976
Amounts to be claimed from Dept. Of Health - Clinic Expenses	1 000 655	999 655
BPB Sindi Construction & Khayelihle Projects - fruitless & wasteful expenditure	2 003 234	2 003 234
Contour Prepaid Vending Debtor	399 365	8 743 189
Traffic Fines Debtor raised in terms of iGRAP1	51 311 841	38 667 275
Licences & testing fees accrued	139 899	172 505
Membe water deposits	53 850	6 720
Sundry Debtors - R&G	11 816 606	13 684 744
Prepaid expenditure	8 078 620	7 192 887
Salaries Suspense	-	139 600
Department of Human Settlements - Bridge Funding	4 158 560	1 196 063
	79 289 944	73 375 848

BPB Sindi Construction & Khayelihle Projects - This Fruitless & Wasteful expenditure is disclosed as part of Receivables from Non-Exchange transactions and has been fully impaired subject to the outcomes of Section 32 of the MFMA.

	2016 R	2015 R
18. CASH AND CASH EQUIVALENTS		
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62099517743: Money Market Account</i>		
Bank statement and cash book balance at the beginning of the year	32 056 975	14 398 668
Bank statement and cash book balance at the end of the year	<u>22 157 256</u>	<u>32 056 975</u>
Investments Bank Account		
<i>Standard Bank Account - Stanger Branch</i>		
<i>Account Number 05 8756442-044: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	-	19 555 042
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>-</u>
Investments Bank Account		
<i>Nedbank Bank Account - Stanger Branch</i>		
<i>Account Number 03 7881022337-000157: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	15 504 340	14 316 551
Bank statement and cash book balance at the end of the year	<u>16 124 484</u>	<u>15 504 340</u>
Investments Bank Account		
<i>Standard Bank Account - Stanger Branch</i>		
<i>Account Number 058756442-077: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	10 676 284	10 017 472
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>10 676 284</u>
Investments Bank Account		
<i>Nedbank Bank Account - Stanger Branch</i>		
<i>Account Number 03 7881022337-151: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	-	6 717 585
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>-</u>
Investments Bank Account		
<i>ABSA Bank Account - Stanger Branch</i>		
<i>Account Number 2068872069: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	7 385 754	6 826 799
Bank statement and cash book balance at the end of the year	<u>7 666 032</u>	<u>7 385 754</u>
Investments Bank Account		
<i>ABSA Bank Account - Stanger Branch</i>		
<i>Account Number 2068912186: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	7 360 418	6 803 380
Bank statement and cash book balance at the end of the year	<u>7 639 734</u>	<u>7 360 418</u>
Investments Bank Account		
<i>Nedbank Bank Account - Stanger Branch</i>		
<i>Account Number 03 7881022337-152: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	-	6 736 788
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>-</u>

	2016 R	2015 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account		
<i>Nedbank Bank Account - Stanger Branch</i>		
<i>Account Number 31337173-9975; Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 591 731	6 225 823
Bank statement and cash book balance at the end of the year	<u>7 023 762</u>	<u>6 591 731</u>
Investments Bank Account		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 2070596495</i>		
Bank statement and cash book balance at the beginning of the year	13 215 990	12 215 800
Bank statement and cash book balance at the end of the year	<u>13 717 515</u>	<u>13 215 990</u>
Investments Bank Account		
<i>Nedbank Bank Account - Stanger Branch</i>		
<i>Account Number 313 371 739 9972</i>		
Bank statement and cash book balance at the beginning of the year	-	12 698 996
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>-</u>
Investments Bank Account		
<i>ABSA Bank Account - Stanger Branch</i>		
<i>Account Number 2070924953</i>		
Bank statement and cash book balance at the beginning of the year	12 974 137	11 992 251
Bank statement and cash book balance at the end of the year	<u>13 466 485</u>	<u>12 974 137</u>
Investments Bank Account		
<i>Standard Bank Bank Account - Stanger Branch</i>		
<i>Account Number 05 875 6442 075</i>		
Bank statement and cash book balance at the beginning of the year	6 438 968	6 041 632
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>6 438 968</u>
Investments Bank Account		
<i>Standard Bank Bank Account - Stanger Branch</i>		
<i>Account Number 05 875 6442 074</i>		
Bank statement and cash book balance at the beginning of the year	6 438 969	6 041 632
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>6 438 969</u>
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62288308672</i>		
Bank statement and cash book balance at the beginning of the year	520 083	520 083
Bank statement and cash book balance at the end of the year	<u>531 462</u>	<u>520 083</u>
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62288306147</i>		
Bank statement and cash book balance at the beginning of the year	260 001	260 001
Bank statement and cash book balance at the end of the year	<u>265 696</u>	<u>260 001</u>

	2016 R	2015 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account		
<i>Standard Bank Account - Stanger Branch</i>		
<i>Account Number 05 5756442-076</i>		
Bank statement and cash book balance at the beginning of the year	18 560 166	17 414 855
Bank statement and cash book balance at the end of the year	-	18 560 166
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62289159660</i>		
Bank statement and cash book balance at the beginning of the year	2 972 854	2 852 716
Bank statement and cash book balance at the end of the year	3 118 836	2 972 854
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62289162259</i>		
Bank statement and cash book balance at the beginning of the year	(25)	4 336 182
Bank statement and cash book balance at the end of the year	-	(25)
First National Bank was instructed to close the account in June 2015. Due to an oversight by the bank, it had raised bank charges. The account was subsequently closed off in July 2015 and the bank charges reversed by the bank.		
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62288308135</i>		
Bank statement and cash book balance at the beginning of the year	214 964	214 964
Bank statement and cash book balance at the end of the year	214 964	214 964
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62289163215</i>		
Bank statement and cash book balance at the beginning of the year	653 877	627 453
Bank statement and cash book balance at the end of the year	685 975	653 877
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62288305230</i>		
Bank statement and cash book balance at the beginning of the year	620 126	620 126
Bank statement and cash book balance at the end of the year	620 126	620 126
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62288306618</i>		
Bank statement and cash book balance at the beginning of the year	186 961	186 961
Bank statement and cash book balance at the end of the year	186 961	186 961

	2016 R	2015 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442-079</i>		
Bank statement and cash book balance at the beginning of the year	5 917 758	5 570 224
Bank statement and cash book balance at the end of the year	6 335 979	5 917 758
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 38495111999-5</i>		
Bank statement and cash book balance at the beginning of the year	-	5 537 733
Bank statement and cash book balance at the end of the year	-	-
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442078</i>		
Bank statement and cash book balance at the beginning of the year	12 008 634	11 159 830
Bank statement and cash book balance at the end of the year	12 503 916	12 008 634
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 37403533999-4</i>		
Bank statement and cash book balance at the beginning of the year	-	11 301 414
Bank statement and cash book balance at the end of the year	-	-
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62363519251</i>		
Bank statement and cash book balance at the beginning of the year	13 383 654	12 843 182
Bank statement and cash book balance at the end of the year	14 039 165	13 383 654
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 9996-19832841: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	89 172	86 227
Bank statement and cash book balance at the end of the year	94 599	89 172
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 9997-19832841: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	155 194	150 087
Bank statement and cash book balance at the end of the year	164 638	155 194
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71039219855: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	60 571	57 566
Bank statement and cash book balance at the end of the year	64 242	60 571
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71186421337: Fixed Deposit</i>		
Bank statement and cash book balance at the beginning of the year	16 728 162	15 641 105
Bank statement and cash book balance at the end of the year	17 969 437	16 728 162
This investment has been ring-fenced to provide for funds which will be used to reimburse developers in terms of existing service level agreements.		

	2016 R	2015 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account		
<i>Nedbank Account - Stanger Branch</i>		
<i>Account Number 31337173 - 9969: Fixed Deposit</i>		
Bank statement and cash book balance at the beginning of the year	12 929 926	12 140 537
Bank statement and cash book balance at the end of the year	<u>13 873 864</u>	<u>12 929 926</u>
This investment has been ring-fenced to provide for funds which will be used to reimburse developers in terms of existing service level agreements.		
Investments Bank Account		
<i>ABSA Bank Account - Stanger Branch</i>		
<i>Account Number 2072795649</i>		
Bank statement and cash book balance at the beginning of the year	11 567 661	10 838 927
Bank statement and cash book balance at the end of the year	<u>12 346 502</u>	<u>11 567 661</u>
Investments Bank Account		
<i>ABSA Bank Account - Stanger Branch</i>		
<i>Account Number 2073097787</i>		
Bank statement and cash book balance at the beginning of the year	11 323 946	10 564 449
Bank statement and cash book balance at the end of the year	<u>12 354 649</u>	<u>11 323 946</u>
Investments Bank Account		
<i>ABSA Bank Account - Stanger Branch</i>		
<i>Account Number 2073166734</i>		
Bank statement and cash book balance at the beginning of the year	11 318 127	10 555 000
Bank statement and cash book balance at the end of the year	<u>12 148 877</u>	<u>11 318 127</u>
Investments Bank Account		
<i>Investec Bank Account - Durban Branch</i>		
<i>Account Number 1100482666451</i>		
Bank statement and cash book balance at the beginning of the year	-	10 977 741
Bank statement and cash book balance at the end of the year	-	-
Investments Bank Account		
<i>Investec Bank Account - Durban Branch</i>		
<i>Account Number 1100-482666-452</i>		
Bank statement and cash book balance at the beginning of the year	23 191 175	21 701 769
Bank statement and cash book balance at the end of the year	<u>24 935 279</u>	<u>23 191 175</u>
Investments Bank Account		
<i>Investec Bank Account - Durban Branch</i>		
<i>Account Number 1100-482666-453</i>		
Bank statement and cash book balance at the beginning of the year	11 312 141	10 556 471
Bank statement and cash book balance at the end of the year	<u>12 045 601</u>	<u>11 312 141</u>
Investments Bank Account		
<i>Investec Bank Account - Durban Branch</i>		
<i>Account Number 1100-482666-454</i>		
Bank statement and cash book balance at the beginning of the year	11 269 579	10 558 961
Bank statement and cash book balance at the end of the year	<u>12 687 764</u>	<u>11 269 579</u>
Investments Bank Account		
<i>Nedbank Account - Stanger Branch</i>		
<i>Account Number 41299507-9992</i>		
Bank statement and cash book balance at the beginning of the year	11 292 204	10 587 549
Bank statement and cash book balance at the end of the year	<u>12 065 430</u>	<u>11 292 204</u>

	2016 R	2015 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account		
<i>Standard Bank Account - Stanger Branch</i>		
<i>Account Number 058756442-081</i>		
Bank statement and cash book balance at the beginning of the year	11 444 574	10 546 986
Bank statement and cash book balance at the end of the year	<u>12 050 342</u>	<u>11 444 574</u>
Investments Bank Account		
<i>Abse Bank Account - Durban Branch</i>		
<i>Account Number 2074191310</i>		
Bank statement and cash book balance at the beginning of the year	10 696 526	10 199 987
Bank statement and cash book balance at the end of the year	<u>11 453 503</u>	<u>10 696 526</u>
Investments Bank Account		
<i>Investec Account - Durban Branch</i>		
<i>Account Number 1100-482666-455</i>		
Bank statement and cash book balance at the beginning of the year	10 270 883	-
Bank statement and cash book balance at the end of the year	<u>10 803 290</u>	<u>10 270 883</u>
Investments Bank Account		
<i>investec Bank Account - Durban Branch</i>		
<i>Account Number 1100-482666-456</i>		
Bank statement and cash book balance at the beginning of the year	20 000 000	-
Bank statement and cash book balance at the end of the year	<u>21 463 978</u>	<u>20 000 000</u>
Investments Bank Account		
<i>ABSA Account - Durban Branch</i>		
<i>Account Number 93 1800 0892</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>40 309 686</u>	<u>-</u>
Investments Bank Account		
<i>Standard Bank Account - Durban Branch</i>		
<i>Account Number 058756442-080</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 000 000</u>	<u>-</u>
Investments Bank Account		
<i>investec Bank Account - Durban Branch</i>		
<i>Account Number 1100-482666-456</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>20 000 000</u>	<u>-</u>
The Municipality has the following main bank accounts:		
<u>ACCOUNT DESCRIPTION</u>		
Primary Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 53730256310: Cheque Account</i>		
<i>First National Bank Account - Ballito Branch</i>		
<i>Account Number 53730076916: Cheque Account</i>		
Cash book balance at the beginning of the year	73 177 234	56 507 569
Cash book balance at the end of the year	<u>30 844 213</u>	<u>73 177 234</u>
Bank statement balance at the beginning of the year	63 142 666	56 507 569
Bank statement balance at the end of the year	<u>30 844 213</u>	<u>63 142 666</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62020550077: Cheque Account</i>		
Cash book balance at the beginning of the year	881 803	2 055 338
Cash book balance at the end of the year	<u>902 687</u>	<u>881 803</u>
Bank statement balance at the beginning of the year	881 803	2 055 338
Bank statement balance at the end of the year	<u>902 687</u>	<u>881 803</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62015681225: Cheque Account</i>		
Cash book balance at the beginning of the year	14 422 120	19 810 085
Cash book balance at the end of the year	<u>14 448 739</u>	<u>14 422 120</u>
Bank statement balance at the beginning of the year	14 422 120	19 810 085
Bank statement balance at the end of the year	<u>14 448 739</u>	<u>14 422 120</u>

	2016 R	2015 R
18. CASH AND CASH EQUIVALENTS (continued)		
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62031878624: Cheque Account</i>		
Cash book balance at the beginning of the year	61 183	60 157
Cash book balance at the end of the year	<u>62 545</u>	<u>61 183</u>
Bank statement balance at the beginning of the year	61 183	60 157
Bank statement balance at the end of the year	<u>62 545</u>	<u>61 183</u>
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62031876800: Cheque Account</i>		
Cash book balance at the beginning of the year	36 918	27 522
Cash book balance at the end of the year	<u>48 351</u>	<u>36 918</u>
Bank statement balance at the beginning of the year	36 918	27 522
Bank statement balance at the end of the year	<u>48 351</u>	<u>36 918</u>
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62059290454: Cheque Account</i>		
Cash book balance at the beginning of the year	114 097	85 099
Cash book balance at the end of the year	<u>149 242</u>	<u>114 097</u>
Bank statement balance at the beginning of the year	114 097	85 099
Bank statement balance at the end of the year	<u>149 242</u>	<u>114 097</u>
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62059290561: Cheque Account</i>		
Cash book balance at the beginning of the year	31 482	23 443
Cash book balance at the end of the year	<u>41 287</u>	<u>31 482</u>
Bank statement balance at the beginning of the year	31 482	23 443
Bank statement balance at the end of the year	<u>41 287</u>	<u>31 482</u>
Electricity Main Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62080947941: Cheque Account</i>		
Cash book balance at the beginning of the year	40 624	30 348
Cash book balance at the end of the year	<u>-</u>	<u>40 624</u>
Bank statement balance at the beginning of the year	40 624	30 348
Bank statement balance at the end of the year	<u>-</u>	<u>40 624</u>
Electricity Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62080949301: Cheque Account</i>		
Cash book balance at the beginning of the year	90 040	67 219
Cash book balance at the end of the year	<u>-</u>	<u>90 040</u>
Bank statement balance at the beginning of the year	90 040	67 219
Bank statement balance at the end of the year	<u>-</u>	<u>90 040</u>
Grants Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62281022948: Cheque Account</i>		
Cash book balance at the beginning of the year	12 920	6 284 405
Cash book balance at the end of the year	<u>-</u>	<u>12 920</u>
Bank statement balance at the beginning of the year	12 920	6 284 405
Bank statement balance at the end of the year	<u>-</u>	<u>12 920</u>

	2016 R	2015 R
18. CASH AND CASH EQUIVALENTS (continued)		
Fines Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62079758268: Cheque Account</i>		
Cash book balance at the beginning of the year	872 516	756 471
Cash book balance at the end of the year	978 171	872 516
Bank statement balance at the beginning of the year	872 516	756 471
Bank statement balance at the end of the year	978 171	872 516
Grants Bank Account (2)		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 74303898107: Cheque Account</i>		
Cash book balance at the beginning of the year	86 037 953	84 145 708
Cash book balance at the end of the year	5 279 006	86 037 953
Bank statement balance at the beginning of the year	86 037 953	84 145 708
Bank statement balance at the end of the year	5 279 006	86 037 953
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62416012649: Cheque Account</i>		
Cash book balance at the beginning of the year	15 559 156	11 775 369
Cash book balance at the end of the year	15 240 729	15 559 156
Bank statement balance at the beginning of the year	15 559 156	11 775 369
Bank statement balance at the end of the year	15 240 729	15 559 156
Petty cash and cash on hand	1 648 153	1 460 469
TOTAL CASH AND CASH EQUIVALENTS:	452 173 094	540 390 976
Total interest earned on investments	30 409 852	30 490 667

	2016 R	2015 R
19. PROPERTY RATES		
<u>Actual</u>		
Residential	171 640 760	157 892 477
Commercial	80 482 765	60 606 428
Residential for commercial purposes	1 102 257	1 089 726
Education and State	5 119 898	3 516 371
Agriculture	2 457 891	2 219 816
Vacant	50 211 451	48 098 855
Public Service Infrastructure	3 608 634	2 181 098
Total Assessment Rates	<u>314 623 456</u>	<u>275 604 771</u>
<u>Property Valuations</u>		
Residential	36 337 895 500	30 870 244 200
Commercial	4 879 181 000	3 737 141 000
Residential for commercial purposes	178 480 000	165 864 000
Education and State	293 781 000	379 328 000
Municipal	579 407 000	385 458 000
Agriculture	3 486 087 000	3 048 215 708
Vacant	3 230 135 000	2 938 169 400
Informal settlements	-	4 309 000
Land reform	1 142 736 000	757 878 000
Monuments	2 000 000	1 748 000
Public Service Infrastructure	3 210 242 000	2 091 177 000
Worship / Public Benefit Organisations	163 618 000	167 373 000
Total Property Valuations	<u>53 503 562 500</u>	<u>44 526 905 308</u>
The last general valuation came into effect on:	01/07/2014	02/07/2010
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 (MPRA) with effect from 01/07/2007		
Adjustments to the valuation roll in terms of Section 78 of the MPRA (as amended) are effected on a quarterly basis and a supplementary valuation roll is prepared on an annual basis. The adjustments take into account consolidations and subdivisions as well as property category changes.		
Assessment rates: Cents in the rand on market valuation as follows:		
Residential, informal settlements, land reform, monuments	0.59900	0.59900
Residential for commercial purposes	0.65700	0.65700
Agricultural	0.15000	0.14900
Industrial, business and commercial, vacant, public infrastructure, Municipal owned and worship	1.85400	1.85400
Properties used by an organ of state and used for public service purposes	1.85400	0.92700
Guest houses	1.67000	1.67000
Public service infrastructure	0.15000	0.14900
Improved residential properties: in addition to the statutory reduction of R15 000, a further reduction of R85 000 is approved for property values exceeding R130 000. Persons owning improved residential property with a rateable value of R130 000 and below will be not be liable for the payment of rates.		
The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates		
Rebates:		
Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
All Pensioners		
Pensioners under 65 years	25%	25%
Pensioners between 65 & 75 years	30%	30%
Pensioners older than 75 years	35%	35%
Industrial incentives including:		
In the first year, thereafter phased out by 10% per annum down to 80%	100%	100%
Residential Developers incentive		
In first & second year thereafter phased out by 10% per annum	100%	100%
Bona fide Agricultural properties	50%	50%
Phasing out of certain public infrastructure property	20%	
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2015/2016 financial year:		
On an annual basis, by application, and the final date of payment being:	30 September 2015	30 September 2014
On a monthly basis, and the final dates of payment being the last working day of the month from August 2015 to June 2016.		
Interest is levied on outstanding rates per annum at:	15.5%	15.5%
Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%

	2016 R	2015 R
20. SERVICE CHARGES		
Sale of electricity	646 723 377	566 803 771
Refuse removal	57 371 198	54 849 307
Total Service Charges	704 094 575	621 653 078

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

21. GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	105 352 000	87 677 000
Municipal Infrastructure Grant	61 011 780	73 134 051
Financial Management Grant	1 700 000	1 700 000
Department of Minerals and Energy	18 000 000	186 728
Municipal Systems Improvement Grant	930 000	992 152
New Library Grant	270 139	258 566
Department of Sports and Recreation	-	15 474
Library Subsidy	2 894 000	2 800 000
Municipal Assistance Programme	538 501	-
Museum	358 946	151 000
Disaster Rough Seas	163 680	3 196 350
Ilembe Shared Services Grant	333 857	822 657
Neighbourhood Development Partnership Grant	7 000 000	8 179 317
Thusong Centre Grant	-	9 692
Multi Purpose Centre Grant	-	69 414
Ethembeni / Charlotdale Precinct	-	145 628
Expanded Public Works Programme	1 418 000	1 377 454
Corridor Development	3 626 351	6 836 764
Housing Accreditation	2 258 052	1 556 085
Demand Side Management Grant	-	-
Small Town Rehabilitation Grant	3 000 000	-
Property Rates Implementation	-	31 885
IFA Grant	-	4 500 000
Total Government Grant and Subsidies	208 855 308	193 738 328

21.1 Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	105 352 000	79 677 000
Transfer from Demand Side Management Grant	-	8 000 000
Conditions met - transferred to revenue	(105 352 000)	(87 677 000)
Conditions still to be met	-	-

21.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	4 027 780	29 220 831
Current year receipts	56 984 000	47 941 000
Conditions met - transferred to revenue	(61 011 780)	(73 134 051)
Conditions still to be met-transferred to liabilities (see note 8)	-	4 027 780

This grant was used for road & storm water infrastructure, including the construction of community halls, creches and sports fields.

21.3 Financial Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
Withheld by National Treasury	-	-
Conditions still to be met-transferred to liabilities (see note 8)	-	-

This grant is used to assist the municipality to implement financial reforms required by the MFMA.

	2016 R	2015 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.5 Department of Minerals and Energy Grant		
Balance unspent at beginning of year	-	186 728
Current year receipts	18 000 000	-
Conditions met - transferred to revenue	(18 000 000)	(186 728)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is used for electrification projects as part of upgrading of informal settlement areas.		
21.6 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	58 153
Current year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(992 152)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is used to provide support to the municipality in the building of in-house capacity to perform legislative functions and stabilise institutional and governance systems.		
21.7 New Library Grant		
Balance unspent at beginning of year	101 782	106 348
Current year receipts	510 000	252 000
Conditions met - transferred to revenue	(270 139)	(256 566)
Conditions still to be met-transferred to liabilities (see note 8)	341 643	101 782
This Grant is used for the payment of the cyber cadets at the Shakaskraal and KwaDukuza libraries.		
21.8 Property Rates Implementation		
Balance unspent at beginning of year	-	31 985
Current year receipts	-	-
Conditions met - transferred to revenue	-	(31 985)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is for the communication of the Municipal Property Rates Act to the public.		
21.9 Department of Sports and Recreation		
Balance unspent at beginning of year	182 596	198 070
Current year receipts	-	-
Conditions met - transferred to revenue	-	(15 474)
Conditions still to be met-transferred to liabilities (see note 8)	182 596	182 596
This grant is for the upgrading of the sports facilities; Chief Albert Luthuli Sports Field.		
21.11 Municipal Assistance Programme		
Balance unspent at beginning of year	822 902	822 902
Current year receipts	-	-
Conditions met - transferred to revenue	(538 501)	-
Conditions still to be met-transferred to liabilities (see note 8)	284 401	822 902
This grant is used to strengthen credit control and debt collection processes.		
21.12 Museum		
Balance unspent at beginning of year	378 973	378 973
Current year receipts	166 000	151 000
Conditions met - transferred to revenue	(358 946)	(151 000)
Conditions still to be met-transferred to liabilities (see note 8)	186 027	378 973
This grant is for the Museum expenditure incurred.		

	2016 R	2015 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.13 Disaster Rough Seas		
Balance to be refunded at beginning of year	-	3 196 350
Current year receipts	1 000 000	-
Expenditure claimed in accordance with grant conditions	(163 680)	(3 196 350)
	836 320	-
This grant is from Department of Provincial Local Government for the clean up operations on the beaches.		
21.14 iLembe Shared Services		
Balance unspent at beginning of year	333 857	810 665
Current year receipts	-	345 849
Conditions met - transferred to revenue	(333 857)	(822 657)
Conditions still to be met-transferred to liabilities (see note 8)	-	333 857
This grant is for the hiring of a town planner for the KwaDukuza area.		
21.15 Neighbourhood Development Partnership		
Balance unspent at beginning of year	10 711 391	15 305 708
Current year receipts	7 000 000	3 585 000
Conditions met - transferred to revenue	(7 000 000)	(8 179 317)
Transferred to National Revenue Fund	(10 711 391)	-
Conditions still to be met-transferred to liabilities (see note 8)	-	10 711 391
This grant is for Infrastructure Development - Woodmead Project R10.7m of the NDPG opening balance was returned to the National Revenue Fund due to slow spending on the project.		
21.16 Thusong Centre		
Balance unspent at beginning of year	-	9 692
Current year receipts	-	-
Conditions met - transferred to revenue	-	(9 692)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is for community upliftment		
21.17 Multi Purpose Centre (MPCC)		
Balance unspent at beginning of year	-	69 414
Current year receipts	-	-
Conditions met - transferred to revenue	-	(69 414)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is for community upliftment		
21.18 Ethembeni / Charlotdale Precinct		
Balance unspent at beginning of year	117 614	263 242
Current year receipts	-	-
Conditions met - transferred to revenue	-	(145 628)
Conditions still to be met-transferred to liabilities (see note 8)	117 614	117 614
This grant is for community upliftment		
21.19 Expanded Public Works Programme		
Balance unspent at beginning of year	-	129 454
Current year receipts	1 418 000	1 248 000
Conditions met - transferred to revenue	(1 418 000)	(1 377 454)
Amount withheld by National Treasury	-	-
Conditions still to be met-transferred to liabilities (see note 8)	-	-
EPWP grant funding is used to expand job creation efforts in specific focus areas where labour intensive delivery methods can be measured.		

	2016 R	2015 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.20 Corridor Development		
Balance unspent at beginning of year	3 626 351	5 563 115
Current year receipts	-	5 000 000
Conditions met - transferred to revenue	(3 626 351)	(6 936 764)
Conditions still to be met-transferred to liabilities (see note 8)	-	3 626 351
This grant is for community upliftment		
21.21 Housing Accreditation Grant		
Balance unspent at beginning of year	15 922 692	11 124 706
Current year receipts	4 305 560	6 354 081
Conditions met - transferred to revenue	(2 258 052)	(1 556 095)
Conditions still to be met-transferred to liabilities (see note 8)	17 970 199	15 922 692
This grant is for community upliftment		
21.22 Demand Side Management Grant		
Balance unspent at beginning of year	-	8 000 000
Current year receipts	-	-
Amount withheld by National Treasury - refer off-set to Equitable Share	-	(8 000 000)
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is used by the municipality to implement energy efficient strategies within the municipal infrastructure - geyser load control		
The roll over approval of this grant was not approved in terms of Section 22 of Division of Revenue Act.		
21.23 Library Subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	2 894 000	2 800 000
Conditions met - transferred to revenue	(2 894 000)	(2 800 000)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is used to fund operational expenditure within the various libraries in KwaDukuza.		
21.24 IFA Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	4 500 000
Conditions met - transferred to revenue	-	(4 500 000)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is for the provision of sports facilities to the community		
21.25 Small Town Rehabilitation Grant		
Balance unspent at beginning of year	3 000 000	-
Current year receipts	-	3 000 000
Conditions met - transferred to revenue	(3 000 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	-	3 000 000
This grant is for community upliftment		

	2016 R	2015 R
22 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	156 721 975	140 618 427
Contributions to UIF, medical, pension benefits, WC and levies	50 480 273	45 111 559
Travel, motor car, accommodation, subsistence and other allowances	11 902 755	10 423 180
Housing benefits and allowances	752 509	556 783
Overtime, standby and rations payments	44 608 224	37 788 318
Leave pay and leave bonus payments	18 343 809	16 905 400
TOTAL EMPLOYEE RELATED COSTS	282 807 345	251 403 648
Included in the employee related costs are the following:		
<u>Remuneration of the Municipal Manager</u>		
Total cost to Council	1 776 546	1 586 028
<u>Remuneration of the Chief Finance Officer</u>		
Annual remuneration	1 145 704	1 149 666
Car allowance	200 111	132 000
Contributions to UIF, medical and pension funds	328 679	328 035
Total	1 674 494	1 609 702
<u>Remuneration of Executive Directors</u>		
<u>Economic Development and Planning</u>		
Annual remuneration	960 123	917 579
Car allowance	96 000	96 000
Medical and pension funds	238 415	232 215
Total	1 294 538	1 245 794
<u>Corporate Services</u>		
Annual remuneration	1 117 689	1 060 994
Car allowance	96 000	96 000
Medical and pension funds	13 817	23 450
Total	1 227 506	1 180 444
<u>Municipal Services</u>		
Annual remuneration	1 036 768	1 061 976
Car allowance	82 874	95 849
Medical and pension funds	12 746	13 253
Total	1 132 388	1 171 077
The Executive Director: Municipal Services, after splitting of the department, took up post as Executive Director: Community Safety with effect 01 June 2016, however he performed as the caretaker Executive Director of the Community Services directorate until 31 May 2016.		
<u>Community Safety</u>		
Annual remuneration	91 047	-
Car allowance	3 000	-
Medical and pension funds	1 090	-
Total	95 137	-
<u>Community Services</u>		
Annual remuneration	132 113	-
Car allowance	15 000	-
Medical and pension funds	1 597	-
Total	148 710	-
The Executive Director: Community Services was appointed with effect 01 June 2016.		
<u>Corporate Governance</u>		
Annual remuneration	973 080	861 746
Car allowance	185 400	176 379
Medical and pension funds	225 438	187 331
Total	1 383 918	1 225 456
<u>Civil Services</u>		
Annual remuneration	947 810	697 162
Car allowance	95 898	79 762
Medical and pension funds	167 198	132 513
Total	1 210 906	909 438

	2016 R	2015 R
23. REMUNERATION OF COUNCILLORS		
Mayor	733 188	696 170
Deputy Mayor	650 515	617 690
Speaker	591 173	561 559
Executive Committee (EXCO)	5 513 441	5 259 455
Councillors	9 581 860	9 064 062
Councillors' pension contribution	1 435 246	1 381 901
Traditional leaders	39 000	31 200
Total Councillors' Remuneration	18 544 424	17 612 038
24. FINANCE COSTS		
Non-current liabilities	24 880 004	19 848 255
	24 880 004	19 848 255
25. BULK PURCHASES		
Electricity	488 650 902	427 861 024
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 11.15% tariff hike in favour of Eskom.		
26. GENERAL EXPENSES		
Included in general expenses is the following: -		
Free basic services - Refuse	13 035 099	12 078 330
Dump charges	10 292 532	10 949 227
Replacement of faulty meters	1 177 423	1 184 478
Indigent support - parks and gardens department	12 067 165	11 166 252
Indigent support - waste management department	1 655 440	3 340 510
Security services	12 130 322	10 784 318
Shark control expenditure	3 396 656	3 138 213
Call out to consumer complaints	10 621 287	9 842 093
Legal costs	4 491 881	5 277 718
Marketing	952 000	1 200 000
Audit fee - external audit	3 421 172	3 154 461
Bank charges	3 044 179	2 442 227
Insurance general	1 999 738	1 580 881
Refuse bags/contract	1 755 804	1 658 870
Free basic services - Electricity	12 018 381	11 692 021
Valuations & valuation rolls	1 550 654	4 406 964
Ward Committee members	2 649 359	2 444 959
Ballito Pro expenditure	7 389 235	4 126 141
Advertising	3 630 234	2 298 419
Printing, Stationery & postage	3 684 695	3 150 117
Subscriptions	2 796 556	2 779 806
Water & Sanitation	2 151 088	1 760 280
Sundry Oils & Fuels	6 498 760	6 359 995
Street lighting consumption	3 944 190	3 622 794
Staff & councillor training costs and bursaries	2 122 523	1 753 960
Travelling & subsistence	1 760 519	1 353 841
Telephone calls / rentals	3 885 543	5 964 730
Protective clothing	2 435 729	2 755 793
Non standard service connection	1 511 162	1 413 389
Software support & licences and agreements	2 453 750	2 581 522
Other General Expenses	39 099 369	28 679 988
Professional Fees	6 043 040	3 894 799
Special Rating Area Expenditure	6 001 536	-
Rehabilitation of P445	533 755	36 998 284
TOTAL GENERAL EXPENSES	192 200 755	205 835 379

	2016 R	2015 R
27. 27.1 CONTRACTED SERVICES		
Refuse removal	24 439 400	18 777 173
Grass cutting	4 691 495	4 956 077
Asset Management Services	998 590	614 438
Survey and facilitation fees for roads and housing projects	1 200	484 166
Advertising	273 590	913 066
Marine Safety	58 500	
	30 462 775	25 744 920
27.2 Transfer made: MIG funding paid to Ilembe District Municipality	6 100 223	20 751 542
<p>The Minister of Finance has allocated funds via the National MIG Unit and which funds have been allocated to KwaDukuza Municipality. The KwaDukuza Municipality by way of a Special Council Resolution on 26 July 2012 (C713), agreed to fund bulk infrastructure for water and sanitation via the said MIG allocation to enable Ilembe District Municipality to supply the relevant bulk infrastructure water and sanitation to various housing projects being undertaken by KwaDukuza Municipality. KwaDukuza Municipality has allocated an amount of R6 100 223 from their MIG Grant funding for the 2015/2016 financial year for this project. R6 100 223 has been transferred to Ilembe District Municipality in the 2015/2016 financial year. Further details are provided under irregular expenditure.</p>		
28. REVENUE		
28.1 OTHER INCOME		
Included in other income is the following: -		
Contributions demand based	16 796 691	16 158 918
Building plan fees	6 185 146	8 420 806
Sundries	2 049 259	1 200 713
Electricity availability	2 581 133	2 296 898
Proceeds from insurance	1 853 604	1 608 994
Admin charges	1 266 535	1 316 577
P445 - Contributions by Department Of Transport	1 827 553	19 212 661
Sundry income	12 867 152	7 208 265
Special Rating Areas Income	7 316 687	-
TOTAL OTHER INCOME	52 743 759	57 423 828
28.2 FINES		
Total revenue from Fines Income	16 076 516	20 476 864
Fines are issued in terms of S341 & S56 of the Criminal Procedures Act 51 of 1977		

	2016 R	2015 R
29. UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
29.1 Irregular Expenditure:		
Irregular Expenditure Incurred for the Financial Year	2015/16	2014/15
Goods and/or services not procured through competitive bidding processes.	2 498 907	23 884 827
Goods and/or services not procured through competitive bidding processes written off by Council and awaiting National Treasury condonement.	-	3 328 375
Non-submission of tax clearance certificates and / or declarations of interest by suppliers, staff / contractors not registered with CIDB.	-	-
Irregular expenditure pertaining to grass cutting contracts.	28 354 724	24 233 305
Irregular expenditure due to conducting business with persons in the service of the state.	127 109	383 089
Section 36 approvals subsequently reclassified as irregular expenditure. Refer to Note 32.7.	9 389 814	1 133 254
Irregular expenditure pertaining to banking services (FNB).	2 131 588	2 343 860
Irregular expenditure pertaining to the vending of prepaid electricity (Contour) written off by Council and awaiting National Treasury condonement.	-	1 228 518
Irregular expenditure pertaining to the procurement of services relating to vehicle hire.	1 328 990	173 497
Irregular expenditure pertaining to the procurement of legal services.	440 859	7 254 727
Irregular expenditure pertaining to the procurement of travel agency services.	605 213	1 081 737
Irregular expenditure pertaining to the procurement of photocopying & printing services.	1 428 052	645 123
Unauthorised MIG transfer to ILembe District Municipality written off by Council and approval of drawdown schedule is awaited by National Treasury.	6 100 223	20 751 542
Irregular expenditure pertaining to the procurement of refuse removal services.	36 645 683	-
Irregular expenditure pertaining to the procurement of security services.	15 866 492	-
	104 917 674	86 441 894
Reconciliation of Irregular Expenditure Written Off by Council	2015/16	2014/15
Opening Balance	33 200 309	56 416 974
Incurred for the year	104 917 674	86 441 894
	138 117 984	142 858 868
Written Off by Council	-	(109 658 659)
Remaining to be considered	138 117 984	33 200 309
Reconciliation of Irregular Expenditure Condoned by National Treasury	2015/16	2014/15
Opening Balance	195 465 728	109 023 734
Incurred for the year	104 917 674	86 441 894
	300 383 403	195 465 728
Condoned by National Treasury	-	-
Remaining to be considered	300 383 403	195 465 728
29.2 Fruitless and Wasteful Expenditure:		
Fruitless and Wasteful Expenditure Incurred for the Financial Year	2015/16	2014/15
Penalties & Interest paid to SARS - VDP application	-	423 635
Payment made for damages to hired vehicle	-	9 975
	-	433 610

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29. UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE
(Continued)

Reconciliation of Fruitless and Wasteful Expenditure Written Off by Council		
Opening Balance	3 718 033	3 708 058
Incurrd for the year	-	433 610
	<u>3 718 033</u>	<u>4 141 668</u>
Written Off by Council	-	(423 635)
Remaining to be considered	<u>3 718 033</u>	<u>3 718 033</u>

Reconciliation of Fruitless and Wasteful Expenditure Condoned by National Treasury		
Opening Balance	4 141 668	3 708 058
Incurrd for the year	-	433 610
	<u>4 141 668</u>	<u>4 141 668</u>
Condoned by National Treasury	-	-
Remaining to be considered	<u>4 141 668</u>	<u>4 141 668</u>

UNAUTHORIZED EXPENDITURE

29.3 Unauthorised Expenditure:

Unauthorised Expenditure Incurred for the Financial Year	2015/16	2014/15
Overspending of amount appropriated in a vote	19 321 477	-
	<u>19 321 477</u>	<u>-</u>

Reconciliation of Unauthorised Expenditure Written Off		
Opening Balance	-	-
Incurrd for the year	19 321 477	-
	<u>19 321 477</u>	<u>-</u>
Written Off by Council	-	-
Remaining to be considered	<u>19 321 477</u>	<u>-</u>

30 Cash flows from operating activities:	2016	2015
Total comprehensive income for the year	118 873 135	139 105 009
Adjustment for:		
Depreciation of property, plant and equipment	50 093 250	44 057 501
Donations of assets	(3 663 174)	(15 195 302)
Loss/ (Gain) on disposal of assets	(50 000)	(53 500)
Heritage asset donated	-	(87 040)
Assets written off PPE	10 157 334	1 748 063
Intangible assets previously not recognised	-	(517 081)
Impairment loss	16 690 665	12 966 736
Intangible assets written off	-	2 609
Amortisation of intangible assets	2 418 761	2 753 355
Contribution to provision	17 273 380	197 354
Retirement obligation	17 405 031	1 787 000
Long service award	328 267	256 000
Investment Property - Fair Value	(2 295 000)	(5 145 000)
Allowance for impairment	18 006 685	17 078 712
Bad debts written off	4 372 271	6 896 578
Interest income	(30 408 852)	(30 490 667)
Finance Costs	24 880 004	19 848 255
Operating Surplus before working capital	<u>242 078 756</u>	<u>195 006 579</u>
Movement in current assets and liabilities		
(Increase)/decrease in inventory	(640 348)	-447 390
Increase/(decrease) in conditional grants and receipts	(19 307 139)	-36 250 396
(Increase)/decrease in trade and other receivables	(46 257 205)	-38 861 505
Increase/(decrease) in Trade and Other Payables	21 677 262	-3 969 436
Increase/decrease in VAT	(9 582 308)	-892 233
Cash generated by operations	<u>187 965 082</u>	<u>114 585 619</u>

	2016 R	2015 R
31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	452 173 094	540 390 976
Total cash and cash equivalents at the end of the year	<u>452 173 094</u>	<u>540 390 976</u>
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>32.1 Contributions to organised local government</u>		
Amount paid - current year	(2 819 370)	(2 853 894)
Balance paid in advance	<u>6 079</u>	<u>-</u>
<u>32.2 Audit fees</u>		
Amount paid - current year	(3 421 172)	(3 598 086)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>32.3 VAT</u>		
Vat received for the year	<u>29 978 364</u>	<u>26 631 789</u>
VAT paid for the year	<u>-</u>	<u>(1 282 568)</u>
VAT inputs receivables and VAT outputs payable are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
<u>32.4 PAYE and UIF</u>		
Current year payroll deductions	(43 535 807)	(37 109 065)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>32.5 Pension and Medical Aid Deductions</u>		
Current year payroll deductions and Council Contribution	(72 201 791)	(60 039 250)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>32.6 Councillor's arrear consumer accounts as at 30 June 2016</u>		
In terms of S124 (1) (b) the following particulars are disclosed in respect of any arrears owed by individual councillors during the financial year:		
The following Councillors had debt in excess of 90 days for the months stipulated below		
<i>Councillor: S Anamaly - Account 1154716</i>	<u>Amount</u>	<u>Month</u>
	132	July 2015
	473	August 2015
	849	September 2015
	349	October 2015
	343	November 2015
	340	January 2016
	344	February 2016
	285	March 2016
	29	April 2016
	339	May 2016
<i>Councillor: S Anamaly - Account 1152772</i>	<u>Amount</u>	<u>Month</u>
	618	July 2015
	654	August 2015
	1 118	September 2015
	467	October 2015
	456	November 2015
	456	January 2016
	482	February 2016
	418	March 2016
	416	May 2016
<i>Councillor: S Oudhram - Account 1141835 - Stanview Investments CC</i>	<u>Amount</u>	<u>Month</u>
	1 178	July 2015
	1 110	August 2015
	1 042	September 2015
	973	October 2015
	1 404	November 2015
	835	December 2015
	1 265	January 2016
	1 193	February 2016
	428	March 2016

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**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT (Continued)**

32.6 Councillor's arrear consumer accounts as at 30 June 2016 (Continued)

Councillor: S Ngwane - Account 1189566

Amount	Month
2 398	July 2015
2 180	August 2015
1 980	September 2015
1 739	October 2015
1 517	November 2015
1 294	December 2015
1 071	January 2016
846	February 2016
621	March 2016
395	April 2016
167	May 2016

No Councillor was in arrears as at year end.

32.7 Supply chain management deviations

Emergency	5 443 075	1 587 976
Sole provider	4 267 685	2 850 483
Acquisition of special works of art or historic objects where specifications are difficult to compile	945 630	73 000
In any other exceptional case where it is impractical to follow the official procurement process	10 133 173	3 408 779
	20 789 564	7 920 218

Section 36 deviations transferred to Irregular Expenditure

9 389 814	1 133 254
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Total Section 36 deviations for the financial year

11 399 750	6 786 964
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32.8 Material losses incurred

Electricity Distribution Losses	83 205 294	71 337 042
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96.7million kilowatts were have been lost due to electricity distribution losses

Bad debts written off:	4 372 271	6 696 576
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33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	209 627 124	185 871 283
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Infrastructure	164 619 539	153 942 049
Community	45 007 585	31 929 233

Capital Commitments are exclusive of VAT

34. CONTINGENT LIABILITIES

34.1 Reimbursement of capital costs of bulk supply to developers:	116 972 719	181 297 783
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The reimbursement is dependent on the developers meeting future targets as set out in the service level agreements. The timing and outcome of the reimbursements cannot presently be determined and therefore no provision for any liability that may result has been made in the financial statements. R4 874 388 in respect of the Manor Estates Development was refunded to the Developer subsequent to year-end. Further verification exercise conducted by management has resulted in the restatement of comparatives.

34.2 Municipality is being sued arising out of a minor child sustaining injuries allegedly after being electrocuted when she touched a light pole in Hulett Street.	200 000	100 000
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34.3 Nyathi Sugar Ridge CC is suing the municipality due to losses incurred by a damaged electrical pole setting alight the sugar cane.	377 334	188 667
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34.4 Municipality is being sued by S Govender pertaining to a collision involving a vehicle owned by the Municipality.	130 000	49 000
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34.5 Municipality is being sued by Body Corporate Chakas Place for the removal of public toilets that are in front of the applicants building.	-	150 000
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34.6 Municipality is being sued by Seppi Southern Africa Limited for loss of revenue and additional expenditure incurred due to various power outages.	4 465 728	4 465 728
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34.7 S T B Dlamini -Allegations of the Municipality's contractors encroaching onto grave sites	-	200 000
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34.8 Municipality is being sued for damages - plaintiff shot in leg by municipal employee using a municipal firearm.	3 000 000	-
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34.9 Inqubeko Yamaqungebe Trading - claim against the municipality where the plaintiff alleges that the municipality unilaterally terminated the contract which had been concluded by the parties.	2 000 000	-
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34.10 Crossmoor Transport - municipality is being sued for non payment of services rendered.	231 174	-
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34.11 Illegbe District Municipality - municipality is disputing a water account received from the District in respect of water and sewer charges to the clinic.	606 749	-
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127 983 703	186 451 177
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	2016 R	2015 R
35. REPAIRS & MAINTENANCE		
Buildings	26 648 077	3 847 528
Developed land		17 098 366
Electrical	21 680 756	21 549 568
Furniture & Fittings	1 734 132	1 839 246
Housing	215 538	262 079
Roads	29 676 890	18 076 699
Stormwater		10 194 274
Vehicles	8 170 500	6 298 816
Total Repairs & Maintenance	88 125 895	79 166 576
36. CORRECTION OF ERROR		
The comparatives for 2014/15 have been restated in respect of the following errors:		
36.1 Restatement of Non-Exchange Receivables (Note 17)		
Non - exchange receivables as previously reported		54 626 375
Adjustments to Rates Revenue 2014/15 in respect of Valuation Appeals.		650 288
Adjustments to Rates Revenue Prior 2014/15 in respect of Valuation Appeals.		2 278 312
Adjustments to fines revenue 2014/15 in respect of traffic fines receipts not credited to traffic fine debtor.		(598 489)
Adjustments to Rates Revenue Prior 2014/15 in respect of traffic fines receipts not credited to traffic fines debtor.		(1 609 151)
Restated balance as at 30 June 2016		55 347 335
36.2 Restatement of Trade & other payables (Note 7)		
Trade & other payables as previously reported.		179 194 418
Adjustment to 2014/2015 expenditure		49 935
Adjustment to 2014/2015 expenditure		378 000
Adjustment to 2014/2015 expenditure		45 000
Restated balance as at 30 June 2016		179 667 353
36.3 Restatement of Long term liabilities (Note 2)		
Long term liabilities as previously reported		212 328 081
Reallocation of Interest and Redemption charges - DBSA 61006918/19		40 050
		212 368 131
36.4 Restatement of Property, Plant & Equipment (Note 10)		
Property, Plant & Equipment as previously reported:		1 559 954 151
Adjustment to 2015 Accumulated Depreciation on Cemeteries due to correction of asset classifications.		8 745
Adjustment to 2015 Accumulated Depreciation on Cemeteries due to correction of asset classifications.		3 444
Adjustment to Assets under construction 2014 - Asset disposed in error in 2014 now brought back to AUC - adjusting for reversal of loss on disposal of asset)(Upgrade to crematorium).		4 826
Accounting for 2014 accumulated depreciation on asset moved from AUC to Roads Infrastructure (Ward 17 road).		-13 483
Accounting for 2015 accumulated depreciation on asset moved from AUC to Roads Infrastructure (Ward 17 road).		-70 303
Accounting for 2015 accumulated depreciation on asset moved from AUC to Roads Infrastructure (Ekamu Road).		-4 433
Pole replacement asset incorrectly capitalised in 2015 - expense should have been booked to repairs and maintenance.		-298 888
Reversal of 2015 accumulated depreciation on pole replacement asset that was incorrectly capitalised in 2015.		4 391
Disposal of ERF 5129 Stanger - 2015.		-560 000
Adjustment to 2014 Accumulated depreciation stemming from correction of asset classification.		1 150 933
Adjustment to 2015 Accumulated depreciation stemming from correction of asset classification.		-198 557
Impairment adjustment due to change in reclassification.		130 437
Adjustment to AUC - P445 (2015) transferred to Department Of Transport.		-36 438 284
Adjustment to AUC - P445 (2014) transferred to Department Of Transport.		-21 921 281
		1 501 751 700

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36. CORRECTION OF ERROR (Continued)

Reconciliation of Adjusted 2014/2015 Surplus:

Surplus for the year as previously stated	176 989 642
Property rates:	
Adjustments to Rates Revenue 2014/15 in respect of Valuation Appeals	650 288
General Expenses:	
Adjustment to General Expenses 2014/2015 due to various payments.	(472 935)
Transfer of P445 to Department of Transport - 2015.	(36 438 284)
Disposal of ERF 5129 Stanger in 2015.	(560 000)
Finance Costs	
Adjustment of finance costs 2014/2015 - Reallocation of Interest and Redemption charges - DBSA 61006918/19.	(40 050)
Depreciation	
Adjustment to 2015 depreciation expense stemming from adjustments due to correction of asset classification.	8 745
Adjustment to 2015 depreciation expense stemming from adjustments due to correction of asset classification.	3 444
Accounting for 2015 depreciation on asset moved from AUC to Roads Infrastructure (Ward 17 road).	(70 303)
Accounting for 2015 depreciation on asset moved from AUC to Roads Infrastructure (Ekamu Road).	(4 433)
Reversal of 2015 depreciation on pole replacement asset that was incorrectly capitalised in 2015.	4 381
Adjustment to 2015 depreciation stemming from correction of asset classification.	(1 886)
Repairs & Maintenance	
Pole replacement asset incorrectly capitalised in 2015 - expense should have been booked to repairs and maintenance.	(298 887)
Impairment	
Adjustment to 2015 impairment stemming from correction of asset classification.	(66 234)
Fines	
Adjustment to 2015 fines revenue whereby fines received for the 2014/2015 period should have been credited to the traffic fines debtor as opposed to recognising the revenue.	(598 489)
Restated balance as at 30 June 2016	139 105 009

Contingent Liability: Reimbursement of capital costs of bulk supply to Developers:
Further verification exercise conducted by management has resulted in the restatement of comparatives. The effects of this is detailed in Note 34.1

37. EVENTS AFTER THE REPORTING DATE

NERSA has approved a 14,24% increase in Eskom bulk purchase tariffs. The effect of this and the resultant increase in our Electricity Tariff has been fully catered for in terms of the Council approved budget for the 2016/17 Financial Year.

38. EXPLANATION OF VARIANCES DISCLOSED IN THE BUDGET STATEMENT

Variance (1) between Original and Final Budget:

Detail Explanations to the above variances are contained in the Mid Year Section Budget Performance Report compiled in terms of Section 72 of the MFMA. The below explanations contain a summary wherein only material variances are discussed, i.e.) variances greater or less than 9 %. Other variances are as a result of reallocations within the budget.

38.1 Other own revenue:

Projected increases in the following revenue streams during adjustments budget: building plan fees, electricity availability, disconnection/reconnection fees and proceeds from insurance.

38.2 Allowances for Impairment:

Allowances for impairment has increased by R24m as a result of reallocation of "fines contribution" from other expenditure to Allowances for impairment.

38.3 Transfers recognised Capital

NDPG allocation amended by R8.5m on the capital budget. IFA / Tongaat Development Grant of R2m moved to outer year. R10m Beach Node Development Grant moved to 2016/2017 financial year and decrease in council funding by R9.7m to ensure long term sustainability.

Variance (2) between Final Budget & Actual Outcomes:

38.4 Investment Revenue (R24 405 vs R30 410) 25%

Increased collection rates compounded with increased interest rates has led to increased cash flows, hence more investments made during the course of the financial year.

	2016 R	2015 R
EXPLANATION OF VARIANCES DISCLOSED IN THE BUDGET STATEMENT		
38 (Continued)		
38.5 Other Own Revenue		
There has been various increases / decreases in the various categories of Other own revenue . The net overall effect was that actual revenue realised from other own revenue was down 16% when compared to budget.		
38.6 Allowances for Impairment		
Subsequent Impairment testing done on traffic fine debtors - budget set for Impairment was R24m but after considering all factors relating to the collectability of these fines, the Impairment was estimated at R11m. Further to this after profiling of debtors to determine bad debt provision and taking into account subsequent receipt testing on debtors, it was managements decision to adjust the bad debt provision on sundry debtors by R1.4m.		
38.7 Transfers recognised Capital		
There has been commitment by both Council and MANCO in dealing with issues surrounding low capital spending which has been the norm in prior years. It is therefore pleasing to report that for the 2015/2016 financial year, we have achieved a 91% capital spend.		
39. RELATED PARTIES		
39.1 COUNCILLOR: R SINGH		
<u>Expenditure:</u>		
General Expenses for the year	4 800 103	4 575 704
Nature of transaction: The Council has entered into a contract for grass cutting with a relative of the Councillor.		
Balance outstanding at year end:	Nil	Nil
39.3 STAFF MEMBER: P MURUGAN		
<u>Expenditure:</u>		
General Expenses for the year	312 058	399 913
Nature of transaction: The brother of the employee provides pest control services to the municipality		
Balance outstanding at year end:	Nil	Nil
39.4 COUNCILLOR: B B SINGH		
<u>Expenditure:</u>		
General Expenses for the year	588 620	721 255
Nature of transaction: The spouse of the councillor owns a travel agency. Council conducts business with this CC.		
Balance outstanding at year end:	Nil	Nil
39.5 STAFF MEMBER: S I TSWANA		
<u>Expenditure:</u>		
General Expenses for the year	8 070	Nil
Nature of transaction: The brother of the employee hires out sound equipment to the municipality for public meetings.		
Balance outstanding at year end:	Nil	Nil
39.6 COUNCILLOR: G GOVENDER		
<u>Expenditure:</u>		
General Expenses for the year	161 748	-
Nature of transaction: The son of the councillor owns a company that provides panel beating and spray painting services . Council conducts business with this company.		
Balance outstanding at year end:	Nil	Nil
Total value of related parties	5 870 599	5 696 872
Payments of remuneration to senior managers and councillors - details of payments are set out in Notes 23 & 24		
Not all confirmations in terms of related party have been received as at the time of finalisation of the annual financial statements. The municipality has however implemented alternate control measure to mitigate the completeness risk.		

	2016 R	2015 R
40. LEASES		
OPERATING LEASES - RECEIVABLES		
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	585 110	557 248
Later than 1 year and no later than 5 years	2 647 994	2 521 899
Later than 5 years	4 126 351	4 837 557
	7 359 456	7 916 704
Salient leases		
The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.		
OPERATING LEASES - PAYABLES		
The future minimum lease payments payable under operating leases for the actual payables are as follows:		
No later than 1 year	1 708 253	-
Later than 1 year and no later than 5 years	2 191 682	-
Later than 5 years	-	-
	3 899 935	-
The municipality has entered into lease agreement with Sharn Investments (PTY) LTD for the occupation of premises. The lease runs for a period of 3 years, terminating on the 31 August 2018, with an option to extend for a further 2 years. Real rental expense escalates at 8% per annum.		
FINANCE LEASES		
Amounts payable under finance leases:		
Finance lease liability - Minimum lease payments		
No later than 1 year	49 578	14 295
Later than 1 year and no later than 5 years	4 132	-
Later than 5 years	-	-
Future Finance charges on finance leases	(2 929)	(825)
Present Value of finance lease liability	50 781	13 470
Present Value of Minimum Lease Obligations		
No later than 1 year	48 683	13 470
Later than 1 year and no later than 5 years	4 098	-
Later than 5 years	-	-
	50 781	13 470
Finance Lease Liabilities relates to Furniture and Fittings with lease terms of 3 to 5 years. The effective interest rate on Finance Leases is between 13,50% and 19,00%. Capitalised Lease Liabilities are secured over the items of equipment leased.		
The municipality has entered into a 2 year Finance lease contract with Vodacom for the supply of 14 Laptops on 01 August 2015. The laptops were recognized at the present value of R89 776 and amortized @ 9.73% interest rate.		
The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.		
41 CHANGE IN ESTIMATE		
The Municipality reviewed the useful lives of items of property, plant and equipment and intangible assets. Adjustments to these useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. As a result of this adjustment, the current year total depreciation increased by a net R613 183 and will continue to affect annual depreciation for the remainder of these assets' useful lives. The detail breakdown of the depreciation adjustment is as follows:		
Buildings	141 546	302 695
Housing Assets	84 301	107 594
Electricity Infrastructure	795 241	(741 793)
Storm water	1 677 085	-
Roads Infrastructure	351 136	201 315
Solid Waste	3 033	(1 195)
Cemeteries	27 596	818
Furniture and Fittings	(1 464 880)	(2 030 942)
Vehicles	(512 287)	(998 670)
Intangible Assets	(441 108)	(94 424)
Leased Assets	(28 480)	(153 053)
	613 183	(3 407 654)

42. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

42.1 Maximum credit risk exposure

Credit risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevant financial instruments is as follows (domestic exposure only)

	2016 R	2015 R	2014 R
Investments	-	-	-
Cash and Cash Equivalents	452 173 004	540 390 076	542 370 693
Interest rate swaps	-	-	-
Financial guarantees	-	-	-
Trade and other receivables	144 388 146	117 768 130	102 604 090
Maximum Credit Exposure	<u>596 561 150</u>	<u>658 158 206</u>	<u>644 974 783</u>

42.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

	1 month or less	1-3 months or less
2016		
Gross finance lease obligations	-	-
Long Term Borrowings	-	2 148 581
Trade and other payables	-	-
Other	10 918 799	-
	10 918 799	2 148 581
	3-12 months or less	1-5 years
2016		
Gross finance lease obligations	-	-
Long Term Borrowings	35 737 111	460 830 091
Trade and other payables	201 344 615	-
Other	-	-
	237 081 726	460 830 091
	1 month or less	1-3 months or less
2015		
Gross finance lease obligations	1 678	2 519
Long Term Borrowings	-	2 866 848
Trade and other payables	-	-
Other	39 226 936	-
	40 904 624	2 869 367
	3-12 months or less	1-5 years
2015		
Gross finance lease obligations	9 203	-
Long Term Borrowings	32 181 851	239 669 492
Trade and other payables	179 104 418	-
Other	-	-
	211 295 472	239 669 492

42.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

	2016 R	2015 R	2014 R
Bank balances and cash	452 173 004	540 390 076	542 370 693
Maximum Interest exposure	<u>452 173 004</u>	<u>540 390 076</u>	<u>542 370 693</u>

44.4 Other price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2016

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/2015		Received during the year		Redeemed / Adjustments / (Interest Capitalised) during this period		Balance at 30/06/2016	
				R		R		R		R	
Non Annuity Loans											
DBSA R43M LOAN	101267/1	10.60%	31/03/2026	22 913 498.07		-		2 083 045		20 830 453	
ABSA R3100 000	30-3124-5686	8.73%	01/06/2020	1 950 318.69		-		311 545		1 638 774	
ABSA R900 000	30-3123-2295	8.23%	01/06/2015	0.04		-		0.04		0.00	
ABSA R21.544M	30-3593-5306	7.96%	30/06/2017	9 660 122.67		-		4 640 874		5 019 249	
DBSA R28.9M (ELECT)	61006918/19	9.73%	30/09/2030	111 642 451.15		36 202 508.75		4 094 132		143 750 828	
DBSA: R5.888 LOAN	61006918/19	9.73%	31/12/2032	76 000 737.78		8 396 809.19		2 006 682		82 390 865	
Total Non Annuity Loans				222 167 128		44 599 318		13 136 277		253 630 169	
Annuity Loans											
DEVELOPMENT BANK OF SA	10580/204	12.00%	30/09/2017	183 643		-		183 643		-	
DEVELOPMENT BANK OF SA	11165/102	15.75%	30/09/2017	2 406 453		-		2 406 453		-	
DEVELOPMENT BANK OF SA	9879/102	12.00%	30/09/2016	239 047		-		239 047		-	
Total Annuity Loans				2 829 142		-		2 829 142		-	
TOTAL EXTERNAL LOANS				224 996 271		44 599 318		15 965 419		253 630 169	

KWADAKUZA MUNICIPALITY
UNAUDITED APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2016

	COST REVALUATION					ACCUMULATED DEPRECIATION						
	Opening Balance	Additions	Assets Donated	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Infrastructure Roads	436 067 627	1 123 187	235 008	-	93 534 479	530 960 331	-152 667 296	-12 635 694	-	1 202 088	164 100 903	368 859 428
Buildings	128 476 947	3 929 019	-	-580 076	14 647 432	146 473 319	-36 475 449	-6 980 265	119 975	-746 884	44 092 656	102 380 662
Caneries	5 542 695	374 250	-	-	7 093 340	13 010 285	-1 549 583	-418 618	-	-	1 989 201	11 041 064
Solid Waste	4 638 707	16 850	-	-	-	4 653 557	-935 740	-285 520	-	-	1 221 260	3 432 296
Housing Assets	8 247 118	369 896	-	-	-	8 617 014	-5 413 770	-390 949	-	-	5 804 719	2 812 295
Stormwater Infrastructure	154 024 968	525 715,00	-	-5 252 234	-	149 268 449	-39 976 869	-5 412 463	1 830 575	-17 159 299	60 718 059	88 660 390
Developed Land	160 206 174	-	-	-5 273 000	-	154 933 174	-	-	-	-	-	154 933 174
Electricity Infrastructure	574 071 739	4 011 721	3 428 166	-719 982	66 909 868	647 701 514	-188 163 440	-15 513 212	250 613	79 162	203 346 877	444 364 636
Vehicles	50 773 627	14 460 832	-	-501 034	-	64 733 427	-28 728 785	-3 154 180	360 238	-36 194	32 558 922	32 174 504
Leased Assets	1 685 739	89 776	-	-	-	1 775 515	-1 514 826	-84 474	-	-	1 589 300	176 215
Undeveloped Land	274 974 750	2 475 000	-	-50 000	-	277 399 750	-	-	-	-	-	277 399 750
Assets under Construction	141 526 434	280 447 765	-	-768 350	-182 281 432	238 924 409	-	-	-	-	-	238 924 409
Furniture and Fittings	43 972 290	6 027 936	-	-533 852	96 313	49 562 690	-26 029 356	-5 208 872	396 037	-29 537	30 869 728	18 692 982
	1 984 206 815	313 851 967	3 663 174	-13 678 528	-	2 288 043 432	-482 455 114	-50 093 249	2 957 438	-16 600 664	546 281 626	1 741 781 801

KWADAKUZA MUNICIPALITY
UNAUDITED APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2016

	COST / REVALUATION				ACCUMULATED DEPRECIATION					
	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	IMPAIRMENT	CLOSING BALANCE	CARRYING VALUE
EXECUTIVE AND COUNCIL	469 349 166	2 364 346	(5 345 858)	466 367 654	15 907 655	1 599 952	(2 460)	351	17 505 499	448 862 156
FINANCE AND ADMINISTRATION	12 189 785	4 811 646	(1 868 072)	15 133 359	6 802 614	1 369 361	(795)	19 453.77	8 190 634	6 942 725
PLANNING AND DEVELOPMENT	12 035 755	1 601 588		13 637 343	3 995 990	813 865		65	4 809 920	8 827 423
COMMUNITY AND SOCIAL SERVICES	140 394 485	44 636 275	(19 101 226)	165 929 534	24 145 143	8 215 754	(7)	772 674	33 133 564	132 795 970
PUBLIC SAFETY	32 582 302	4 398 678	(2 501 086)	34 479 893	17 818 417	2 199 762	(34 563)	731	19 984 346	14 496 547
ROAD TRANSPORT	617 587 519	266 313 705	(89 500 940)	794 400 284	201 262 871	17 993 043	(2 434 660)	17 928 472.08	234 749 727	559 650 558
ELECTRICITY	700 067 809	175 670 334	(77 642 778)	798 095 364	209 849 603	17 901 517	(18 753)	175 575.52	227 907 943	570 187 422
Grand Total	1 984 206 820	499 796 572	- (195 959 960)	2 288 043 432	479 782 293	50 093 255	(2 491 239)	18 897 322	546 281 631	1 741 761 801

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Revenue R	2015 Actual Expenditure R	2015 (Surplus)/ Deficit R		2016 Actual Revenue R	2016 Actual Expenditure R	2016 (Surplus)/ Deficit R
(115 668 130)	65 295 841	(50 372 289)	Executive and Council	-156 275 872	78 267 557	(78 008 315)
(324 665 332)	105 026 288	(219 639 044)	Finance and Administration	-365 338 597	74 125 778	(291 212 819)
(15 685 821)	24 740 974	9 055 153	Planning and Development	-8 173 601	36 609 138	28 435 536
-	4 807 709	4 807 709	Health	-	4 030 726	4 030 726
(4 991 901)	15 938 674	10 946 774	Community and Social Services	-4 740 376	24 436 709	19 696 333
(2 772 280)	7 852 535	5 080 255	Housing	-3 694 107	7 993 786	4 299 680
(26 251 459)	95 634 389	69 382 929	Public Safety	-17 079 651	103 895 259	86 815 608
(22 783 282)	64 334 394	41 551 112	Sports and Recreation	-11 974 552	68 336 190	56 361 638
(72 243 696)	58 014 516	(14 229 180)	Waste Management	-74 378 528	71 159 767	(3 218 761)
(51 471 989)	96 301 184	44 829 195	Road Transport	-17 009 089	108 727 944	91 718 855
(607 438 842)	566 921 220	(40 517 622)	Electricity	-696 717 359	658 925 743	(37 791 616)
(1243 972 732)	1 104 867 723	(139 105 009)	Sub Total	(1355 381 732)	1 236 508 597	(118 873 135)

**KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016**

	Actual 2016	Budget 2016	Variance 2016	Variance 2016
	R	R	R	%
REVENUE				
Revenue from non-exchange transactions				
Property rates	(314 623 456)	(305 870 954)	(8 752 502)	2.86%
Property rates - penalties imposed and collection charges	(7 391 326)	(5 050 000)	(2 341 326)	46.36%
Fines	(16 076 516)	(31 287 049)	15 210 532	-48.62%
Government grants and subsidies	(208 855 308)	(201 538 224)	(7 317 085)	3.63%
Licences and permits	(8 598 205)	(182 987)	(8 415 218)	4598.81%
Public donations - Property, plant and equipment	(3 683 174)	-	(3 683 174)	100.00%
Revenue from exchange transactions				
Service charges	(704 094 575)	(707 153 686)	3 059 111	-0.43%
Rental of facilities and equipment	(1 016 506)	(1 073 629)	57 123	-5.32%
Interest earned investments	(30 409 852)	(24 404 903)	(6 004 949)	24.61%
Interest earned outstanding debtors	(5 564 056)	(5 400 000)	(164 056)	3.04%
Other income	(52 743 759)	(69 329 012)	16 585 253	-23.92%
Gain on disposal of property, plant and equipment	(50 000)	(30 000)	(20 000)	66.67%
Revaluation of investment properties	(2 295 000)	-	(2 295 000)	
Total Revenue	(1 355 381 733)	(1 351 320 443)	(4 061 290)	
EXPENDITURE				
Executive and Council	78 267 557	97 028 492	(18 760 935)	-19.34%
Finance and Administration	74 125 778	88 033 745	(13 907 967)	-15.80%
Planning and Development	36 609 138	38 873 730	(2 264 593)	-5.83%
Health	4 030 726	4 512 076	(481 350)	-10.67%
Community and Social Services	24 436 709	28 315 946	(3 879 237)	-13.70%
Housing	7 993 786	14 028 869	(6 035 082)	-43.02%
Public Safety	103 896 259	113 257 409	(9 362 151)	-8.27%
Sports and Recreation	68 336 190	69 491 546	(1 155 356)	-1.66%
Waste Management	71 159 767	70 476 827	682 940	0.97%
Road Transport	108 727 944	103 139 695	5 588 249	5.42%
Electricity	658 925 743	645 875 455	13 050 288	2.02%
Total Expenditure	1 236 508 597	1 273 033 791	24 153 133	-7.10%
SURPLUS FOR THE YEAR	(118 873 136)	(78 286 651)	20 091 843	

KWADAKUZA MUNICIPALITY
UNAUDITED APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2016

	2016 Actual R	2016 Under Construction R	2016 Total Additions R	2016 Budget R	2016 Variance R	2016 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
EXECUTIVE AND COUNCIL	3 502 357	15 724 670	19 227 027	18 895 160	(331 867)	-2%	Bridge funding in respect of NDPG was approved by council as per resolution C144. All payments effected are within council resolution however the variance represents retentions. The reimbursement of this will match future grant allocations.
FINANCE & ADMIN	2 042 775	1 631 878	3 674 653	3 790 000	115 347	3%	
PLANNING & DEVELOPMENT	712 193	8 611 291	9 323 484	12 219 530	2 896 046	24%	Under-spending due to the delay in procurement of IFATonga development facilities, funds to be rolled over.
COMMUNITY & SOCIAL SERVICES	6 789 672	13 607 277	20 396 949	30 076 419	9 679 470	32%	Under-spending due to delay in the acquisition of land for Cemeteries projects and also Combo Courts projects were delayed hence projects were rolled over to next financial year.
PUBLIC SAFETY	3 165 944	-	3 165 944	4 980 580	1 814 646	38%	A delay was due to upgrade of Beach Facilities projects, these projects were rolled over
ROADS & STORM WATER DRAINAGE	4 987 116	169 826 193	174 793 309	182 661 808	7 868 499	4%	
ELECTRICITY	17 310 823	61 225 227	78 536 050	106 746 867	28 210 818	26%	Delay was due to the procurement of fleet which has been rolled over, and Bulk Supply Projects (North and South) there was a delay in the implementation of these multi year projects and this has been considered in the 2016/2017 Capital Budget.

38 490 880	270 626 536	309 117 416	359 370 374	60 252 958
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Name of Grants	Name of origin of state or municipal entity	Unspent portion 2014/2015 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2015/2016 financial statements	Grants and Subsidies applied / withheld	Reason for deletion of funds	Did your municipality comply with the grant of grant framework in the latest Division of Revenue Act	Reason for non-compliance
				July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
Equilibria Share	National Treasury	-	-	43 887 000	18 379 803	16 737 897	26 335 000	105 352 000	43 887 000	35 117 000	26 335 000	-	165 352 000	-	NO	N/A	YES	N/A
Municipal Infrastructure Grant (MIG)	DPLG	4 527 780	-	20 000 000	16 000 000	20 954 000	-	56 954 000	3 490 000	18 816 853	21 379 413	17 318 715	61 611 789	-	NO	N/A	NO	Unauthorised MIG transfer to Fumbe District Municipality
NKEP Grant	Integrated National Electrification Grant	-	-	5 000 000	4 000 000	9 000 000	-	18 000 000	-	9 000 000	2 729 646	8 271 455	18 000 000	-	NO	N/A	YES	N/A
Finance Management Grant	National Treasury	-	-	1 700 000	-	-	-	1 700 000	471 762	201 549	429 529	808 760	1 700 000	-	NO	N/A	YES	N/A
New Library	Provincial Libraries	101 782	-	510 000	-	-	-	510 000	66 529	83 124	66 790	78 340	270 159	341 643	NO	N/A	YES	N/A
Municipal Systems Improvement Grant	LOTA	-	-	830 000	-	-	-	830 000	266 289	166 468	413 228	-	830 000	-	NO	N/A	YES	N/A
Museum	Office Of the Premier	378 673	-	-	166 000	-	-	466 000	-	166 000	192 846	-	358 846	186 027	NO	N/A	YES	N/A
DPT Ports	Department of Sports & recreation	182 680	-	-	-	-	-	-	-	-	-	-	538 201	182 680	NO	N/A	YES	N/A
Municipal Assistance Programme Grant	DPLG	822 603	-	-	-	-	-	-	-	59 237	-	460 263	284 401	-	NO	N/A	YES	N/A
Fumbe Shared Services	Fumbe District Municipality	323 609	-	-	-	-	-	-	213 791	120 106	-	-	333 896	-	NO	N/A	YES	N/A
Neighbourhood Development Partnership	National Treasury	10 711 391	-10 711 391	1 500 000	-	5 500 000	-	7 000 000	1 016 846.53	-	5 513 344	405 710	7 000 000	-	YES	N/A	YES	UNDERSPENDING
Entombed Churches Present Grant	-	117 614	-	-	-	-	-	-	-	-	-	-	-	-	NO	N/A	YES	N/A
Corridor Development	-	3 626 351	-	-	-	-	-	-	-	-	-	-	-	-	NO	N/A	YES	N/A
EFWP	National Treasury	-	-	567 000	428 000	425 000	-	1 419 000	464 806	3 151 440	-	-	3 638 351	-	NO	N/A	YES	N/A
Housing Accommodation	Department Of Human Settlements	15 622 991	-	-	2 011 630	1 018 720	1 274 060	4 305 560	128 332	567 385	356 273	425 000	1 418 000	-	NO	N/A	YES	N/A
Library Subsidy	-	-	-	2 884 000	-	-	-	2 884 000	231 061	428 618	266 131	1 300 612	2 258 652	17 670 166	NO	N/A	YES	N/A
Small Towns Rehabilitation	-	3 000 000	-	-	-	-	-	-	2 413 035	490 075	-	-	2 894 000	-	NO	N/A	YES	N/A
Beach Rehabilitation	-	-	-	-	-	1 000 000	-	1 000 000	-	-	90 200	73 480	163 130	836 320	NO	N/A	YES	N/A
		33 235 636	1 60 741 391	76 688 000	40 883 483	64 135 117	27 612 860	300 286 860	82 719 612	74 358 899	87 872 789	26 924 634	208 888 267	19 818 713				